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OCTOBER 2, 1954

foreign trade

CANADA

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CANADA

foreign trade

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cover Petroleum, coffee, bananas and sugar, our four leading imports from Latin America, are combined in the montage on the cover, which introduces our annual review of business conditions in Latin America. The steel skeleton of a skyscraper on the left serves to remind us of the rapid industrial and commercial growth of the Latin American countries.

Canada's Trade with Latin America

Over 5 per cent of Canada's total exports in the first half of 1954 went to Latin America, with Brazil, Venezuela and Mexico the leading markets. Relaxations in import restrictions in several countries have helped to keep sales high, despite a falling-off in exports of a few commodities.

R. E. LATIMER, *International Trade Relations Branch.*

CANADA'S TRADE WITH LATIN AMERICA is continuing at a high level in 1954; over the past twelve months exports to and imports from Latin America totalled $490 million, slightly above the annual rate for 1953.

Fourth Largest Market

Latin America ranked as Canada's fourth largest market in the first half of this year, taking over 5 per cent, by volume, of our total exports. The slight drop from the same period of 1953—from $99 million to $94 million—is more than accounted for by a marked decline in automobile sales. Canadian imports from Latin America are maintaining their upward trend in 1954, from $138 million in the first six months of 1953 to $145 million in the same period this year.

The Latin American economy largely complements the Canadian by supplying a substantial share of many Canadian imports and by providing a steadily growing export market for Canadian products.

So far this year, Canadian exports have found their leading markets in Latin America to be Brazil, Venezuela and Mexico. Brazil, in fact, is vying with Germany as Canada's fourth largest world market.

Other substantial markets are Cuba and Colombia. The largest increase has been in sales to Brazil, considerably aided by the relaxation of import restrictions against dollar goods late in 1953. Other countries which have stepped up their purchases from Canada include Cuba, Colombia, and a number of the smaller markets of the Caribbean area. Exports to Peru are sharply below last year's: wheat shipments are down $5 million and automobiles, which were valued at $1·7 million in the first six months of 1953, have not been shipped so far in 1954. Smaller declines have been registered in sales to Argentina and Venezuela.

Venezuela continues to be by far Canada's largest supplier in Latin America and our third largest world

Canadian Exports to and Imports from Latin America

(in thousands of dollars)

	Exports to			*Imports from*		
	Year	*Jan.-June*		*Year*	*Jan.-June*	
	1953	1953	1954	1953	1953	1954
Argentina	7,641	4,892	1,616	8,529	4,457	1,363
Bolivia	5,501	2,489	278	1,415	715	261
Brazil	37,561	25,564	30,045	35,047	14,772	16,345
Chile	3,945	1,064	1,252	1,052	749	198
Colombia	20,146	6,617	8,217	23,215	11,280	12,045
Costa Rica	2,199	1,050	1,756	9,472	4,342	3,541
Cuba	16,124	7,954	8,327	11,654	6,210	6,107
Dominican Republic	3,993	1,960	2,226	5,854	2,641	1,243
Ecuador	4,220	1,323	2,524	2,688	1,178	1,229
El Salvador	1,901	921	731	1,389	1,259	533
Guatemala	2,234	824	926	3,259	1,521	2,781
Haiti	2,670	1,135	1,757	748	337	793
Honduras	556	243	251	4,594	1,937	1,479
Mexico	28,986	12,511	12,035	15,785	10,326	9,167
Nicaragua	1,354	587	941	391	134	81
Panama	4,380	3,009	1,822	3,637	1,875	2,935
Paraguay	339	206	117	260	180	247
Peru	15,108	9,094	2,847	2,928	853	1,394
Uruguay	2,912	499	1,183	2,903	1,890	595
Venezuela	36,485	17,586	15,507	155,147	71,095	82,504
Total	198,255	99,528	94,358	289,967	137,731	144,841

Commercial and industrial growth in many Latin American countries is illustrated by the many modern buildings going up in the cities. Here, for example, are two 28-storey buildings under construction on the Avenida Bolivar, Caracas, Venezuela. The structures nearby, completed not long ago, have windows designed to catch the cool breezes from the surrounding mountains. No air conditioning is needed.

supplier. Brazil, Mexico, Colombia and Cuba are other leading sources for Canada's imports from this area.

Trade by Commodity

Canada's leading exports to Latin America this year have been wheat and flour, machinery, and newsprint. Other products with large sales include fish, electrical apparatus, aluminum, powdered milk, copper, wood pulp and asbestos. The total trade for the first six months also covers a wide range of goods, including less essential foodstuffs and consumer durables. Sales of wheat flour, agricultural machinery and aluminum have increased substantially. The largest decline came in sales of trucks and automobiles, down $11·5 million from the first half of 1953.

Petroleum continues to be by far Canada's leading import from Latin America ($64 million in first five months of 1954). Other main imports are coffee ($24·8 million), bananas ($8 million), nuts, fresh vegetables, raw cotton, vegetable fibres and sugar.

Factors Affecting Trade

Various developments in the last twelve months have affected Canada's trading relations with Latin America. Particularly notable was the relaxation of Brazilian import and exchange controls last October. This action has made possible a substantial increase in Canada's total sales to Brazil and the re-entry of codfish and a number of other traditional exports which had long been excluded from the market.

Colombia's abolition in February of an extensive list of prohibited imports provided greater sales opportunities there. Higher protection through increased tariffs and/or trade controls—notably in Mexico, Venezuela, and Colombia—are less encouraging developments in the period under review. Some improvement in Uruguay's foreign exchange position has resulted in minor relaxations in restrictions on dollar imports, but comprehensive controls remain. Peru has generally maintained her liberal trade policy in the face of temporary exchange difficulties. Such traditionally important markets as Argentina and Chile continue to experience dollar difficulties and to restrict severely imports from Canada, the United States and other dollar suppliers.

Important Developments

Among the more important developments in Canada's trade relations with Latin America was the signing of an agreement on internal taxes between Canada and Uruguay and Uruguay's accession to the General Agreement on Tariffs and Trade. Brazil is rapidly liquidating her backlog of commercial dollar debts, including arrears owing to Canadian firms. A further development of particular interest to a number of Latin American countries was the conclusion of the International Sugar Agreement, to which Canada is also a party. In the light of this agreement the three-year arrangement between Canada and Cuba on trade in sugar, entered into in 1951, has not been renewed.

Appraisal

Generally, Canadian exporters have maintained their position in Latin America in the face of strong competition from Europe, the United Kingdom, the United States and Japan. The open dollar markets of the Caribbean area and Peru continue to be important outlets for many Canadian exports still restricted entry into other traditional markets. Though import and exchange controls are affecting Canada's sales to other Latin American markets, the last year has seen some relaxation and this, plus continued economic development both in Latin America and Canada, promises well for a further expansion of the trade. ●

ARGENTINA

Larger export earnings have helped to strengthen foreign exchange reserves and have made possible greater imports and the paying off of commercial debts. Substantial expansion is planned in several fields, particularly in electric power and in oil. Prospects for expanded Canadian sales still poor.

C. S. BISSETT, *Commercial Counsellor, Buenos Aires.*

ACCORDING TO THE ANNUAL REPORT of the Central Bank, "consolidation of the monetary situation and economic re-activation" were the main features of the Argentine economy during 1953. A second season of excellent crops, following the three years of drought, has accelerated this trend during 1954. Almost the whole of the grain surpluses for export have already been sold or otherwise committed under the present 24 compensatory trade agreements. These earnings, plus normal ones from meat exports, have made possible considerably larger purchases of badly needed foreign supplies and have helped to strengthen the monetary reserves.

Export Position

Although the volume of grain produced in the 1953-54 crop year did not reach that of 1952-53, which pulled this country out of its most serious depression in modern times, it was still rated as "excellent" and considerably above the postwar average. Unfortunately, in common with other grain exporting countries, sales ran into a falling price market and the yield from exports, whether in foreign exchange or in goods, was somewhat less than hoped for, although not less than the postwar average. Argentina no longer has any important grain export surpluses to market and IAPI, the official company accorded sole export rights over grain, has withdrawn from the market. The position in grain by-products is, however, not so favourable and sales are being pushed. According to the Ministry of Foreign Trade, the surpluses of the cereal grains available this crop year for export and the volume of each (in parentheses) sold or committed by mid-year were, in metric tons—wheat, 3,000,000 (2,950,000); rye, 1,030,000 (1,000,000); oats, 820,000 (728,000); barley, 685,000 (634,000); maize, 2,300,000 (2,240,000).

An easy marketing position is thus assured for the remainder of this crop year ending November 30. The success achieved in marketing these grains in the face of world surpluses of all of them of about double annual world requirements is due mainly to the policy of exchanging Argentine products for essential foreign goods under compensatory trade agreements or through special barter deals. By these means this country in a difficult world situation has assured itself of markets abroad for a group of products upon which its economy mainly rests and, in return, of a good supply of most of those commodities essential to it. The ratio of Argentina's trade between soft and hard currency areas is roughly three to one and compensatory trade agreements are in force with all of the chief soft currency countries. No change in this policy of reciprocal back-scratching is anticipated.

Import Position

As a result of continued large export sales, it has been possible to allow increased imports. A dilution of the 1953 policy of import austerity started in the latter part of that year with the issue of a fairly large number of import permits. The goods covered began to be received during the first quarter of 1954. During the year to date, this policy has been continued in moderation. However, such permits are for essential goods only, for which there is no locally-manufactured counterpart or reasonable substitute. The main beneficiaries were the soft currency suppliers, although some benefit accrued to the hard currency countries as well.

Effect on Dollar Sales

For the dollar area the result was mainly more permits for drugs and chemicals for both pharmaceutical and industrial use, for industrial machinery and parts, for automotive vehicle parts, and for wood pulp and newsprint. For the last two items, no import permits of any consequence had been issued for the dollar area for at least five years and these were awarded only because Sweden could not supply Argentine needs.

By the end of 1953 inventories of essential imported goods, including those for further manufacture locally, were badly depleted. Although the accelerated issue of import permits since then has relieved the situation partially, it has not corrected it. There has been definite progress but the import position is not likely to return to normal until the earnings of a further three good crop years have been put into circulation. Meanwhile, essential goods only will be permitted entry and whenever possible these will be obtained from the agreement countries rather than the dollar

A busy scene in the port of Buenos Aires, which stretches for several miles along the River Plate. In the background, one of the huge grain elevators built to handle grain traffic.

area. The policy of using dollars to rehabilitate the exchange reserves means that dollar purchases will continue to be appreciably less than earnings.

Canadian Sales

In recent years agricultural machinery has been the backbone of Canadian sales to this country. The two principal items have been tractors and combines, even though there is some local production of both, plus appreciable production of the simpler machines and of the usual run of implements. Present policy is to foster an extensive agricultural machinery and implement industry with the aim of supplying the country's entire needs and eliminating imports of finished goods. Complete manufacture, not merely assembly, is the plan. Several offers from foreign companies to set up plants are under consideration but none of these has yet been accepted.

To help achieve this goal, no import permits for such commodities were awarded last year and none so far in 1954. As a consequence Canadian sales to this market in the first six months of 1954 have been reduced greatly. There is some chance of obtaining dollar exchange permits for substantial sales of industrial and mining machinery and the new sales of wood pulp and newsprint will retrieve the position somewhat. On the whole, however, Canadian sales this year are expected to be considerably less than the postwar average. Dollar scarcity, plus the policy of limiting purchases from any country to the value of the previous sales to that country, does not inspire optimism.

Commercial Debts

At the end of 1953 Argentina still had a heavy backlog of commercial debt built up under the compensatory trade agreements in previous years, as well as under the instalment purchase plan involving credit over periods of two up to five years. Reduction of these debts has made noteworthy progress and some of the smaller ones have now been eliminated. Of the larger ones, that with Brazil will be paid off over a period of three years. Payment arrangements with West Germany are still under negotiation but the Bank of London and South America has published the reported approximate terms—US$55 million in 1955, US$20 million in 1956, and US$8 million in 1957.

All of these debts, plus the instalment purchases, are mortgages on future earnings and will reduce proportionately the foreign purchases which Argentina can finance out of export sales during the next three years. Continued excellent crops will be essential if the present reduced rhythm of import activity is to be maintained.

Fiscal Indices

Compared with 1952, all of the fiscal indices for 1953 showed marked improvement. The comparison may, however, be misleading. It should be remembered that the severe drought of 1951 damaged the 1951-52

Leading Canadian Exports to and Imports from Argentina

EXPORTS
(First six months—1954)

Commodity	*Value*
Pulp sulphite, unbleached strong	$403,796
Wood pulp, mech. prep., unbleached	281,874
Asbestos, milled fibres	140,127
Newsprint paper	116,928
Tractors, n.o.p. and parts	108,984
Cattle, pure bred	104,390
Needles	74,900
Nickle, fine	64,217
Parts of farm implements, n.o.p.	54,972
Copper tubing	45,443

IMPORTS
(First five months—1954)

Commodity	*Value*
Beef, canned	$351,512
Quebracho extract	221,601
Wool, washed or scoured	143,481
Wool in the grease	66,584
Cheese	31,762
Extracts of meat, fluid beef	28,780
Fur skins, sheep lamb, undressed	20,830
Chinawood oil, not edible	13,781
Wool, pulled or slipsed	11,523
Wool tops, dry-combed	9,096

crops so badly that wheat had to be imported. The loss in earnings from exports had to be made good through inroads into the foreign exchange and gold reserves in order to keep the economy from bogging down. The improved 1953 indices therefore indicate merely appreciable progress toward a return to normal; they do not mean that there has been an unusual upward surge in the economy.

The international balance of payments improved from a debit of 1,870 million pesos in 1952 to a credit of 1,771 million last year. The heavy 1952-53 crops, allied with 1953 import austerity, were mainly responsible.

National Income Rises

Gross national income, according to a study made by the *Review of the River Plate,* increased from an estimated 93,500 million to 97,000 million pesos and per capita income from 5,290 to 5,320 pesos. However, on the basis of the 1935 price levels and cost of living, the per capita income fell from 737 to 723 pesos. This latter figure is lower than that for any year since 1944, is 30 per cent below that of the high point in 1948, and is the latest of successive annual reductions since that year. In a similar study the *Review* shows successive annual declines from 1947 to 1952 in savings accounts balances in pesos compensated on the basis of the peso purchasing power of 1943, because of intervening inflation. Actual balances show successive annual increases from 1947 to date. However, there was a substantial upturn in 1953 and, during January-April of this year, in the compensated balances as well. Net savings expressed as a percentage of national income were, at 2·4 per cent, higher than for any year since 1947.

Revenues Increased

Total fiscal revenue showed a small increase in 1953 over the previous year. Port dues, customs duties and income taxes declined but these losses were more than balanced by increases in sales taxes and "other" revenue. Expenditure under the national budget, at about 9,203 million pesos compared with actual revenue at about 9,250 million, showed a surplus of about one-half per cent. Total national debt increased in 1953 over 1952 by about 31 per cent. The last vestige of foreign debt was eliminated by the redemption of the remainder of the Roca Loan. The domestic means of payment in 1953 rose by about 26 per cent, from 34,220 million in 1952 to 42,990 million pesos, one of the most abrupt increases in the past decade.

The index of the physical volume of industrial production in 1953 dropped to 139·8, compared with 150·8 in 1951 (basis 1943=100). Declines in both the extractive and manufacturing industries were partially offset by an increase in electric power and gas output. In the 1949-53 period, man-hours worked successively declined but average output per man-hour increased, indicating greater mechanization of industry. Because of inflation, real wages declined from the basic 100 in 1949 to 83 in 1953 and a little less than 81 during January-March this year.

Second Five-Year Plan

The progress hoped for when this plan was instituted in 1952 has not been realized. The practical failure of the 1951-52 crops eliminated the funds which were to have been spent in the year of inception and little was accomplished. In 1953 and to date in 1954 the need to pay off accumulated commercial debt and to rehabilitate the exchange reserves has also retarded the completion of the original program for these two years. This same factor will continue to affect the plan adversely during its life. However, it has been possible in the past 18 months to complete a fairly large number of small projects and to prepare the ground for others of greater importance.

Financed by Local Capital

As originally conceived, the plan was to be financed by one-third domestic and two-thirds foreign capital. Projects to date have been based almost wholly on local capital and very little foreign capital has entered the country. Street opinion is that this is due to the comparatively unattractive terms of the Foreign Capital Investment Law and the lack of facilities for obtaining from the Argentine Central Bank and remitting abroad the foreign exchange necessary to realize the profits made on foreign capital already invested here. Moreover, there are no facilities for the remission of royalties under any existing legislation or executive decree.

If present advance preparations are finally completed substantial expansion will take place in the building cement, pulp and cellulose, pharmaceutical, agricultural machinery, machine tool, mining and electric power industries. Priority is to be given to the expansion of electric power and one of the projects well under way is the San Nicolás thermopower development. Another is the development of the Rio Turbio coal fields. Negotiations are in progress with a group from the United States to increase petroleum drilling and production substantially with the object of supplying the entire local demand. The group would not be granted concessions but would develop the fields on the basis of working contracts.●

BRAZIL

Drop in coffee exports beginning in May led to smaller dollar offerings at the auctions, sharp increases in premiums paid, and marked rise in cost of importing. Purchases from Canada in first half of 1954 were up 15 per cent, with prompt payment being made for current transactions.

C. J. VAN TIGHEM, *Commercial Secretary, Rio de Janeiro.*

BRAZIL'S TRADE BALANCE continued to be favourable during the first four months of the year, although a sharp reduction in coffee exports, commencing in May, weakened this position. Internally, Brazil failed to check the inflationary trend which has characterized the economy for so long. Local firms found difficulty in securing sufficient credit to finance their business operations and there was a consequent slowing down in business activity. Trade with Canada during the first half of the year was approximately 15 per cent above the corresponding period last year. Both farming and stock-raising showed an appreciable improvement during the first half of the year.

Brazil had an export surplus in the period January-April, the latest for which statistics are available. However, this favourable situation may have changed as a result of stagnation in coffee and cocoa exports which began in May.

Cocoa exports during the first half of the year were some 30 per cent below those in the same period last year. As practically all of the 1953-54 harvest had been shipped out by February, the fall was accentuated in the second quarter.

Coffee exports during the first seven months of the year amounted to 2,900,000 bags, about 30 per cent less than in the corresponding period last year. Although prices were the highest ever received, the value of coffee exported in this period dropped 7 per cent.

Cost of Auction Dollars Increased

As a result of the drop in coffee exports, the amount of dollars offered at auction was reduced 50 per cent by the authorities. At the same time, after several months of offering dollars for immediate delivery, it was found expedient to change to a 120-day future delivery basis. These two changes brought about a sharp increase in the premiums paid for dollars, as the following table, giving the results of the dollar auctions in Rio de Janeiro on June 8th (the last auction at which dollars were offered for immediate delivery) and August 17th (the first auction following the last reduction in the amount of dollars offered) clearly shows:

	June 8th US$2,500,000- *immediate delivery*		*August 17th* US$1,200,000- *120-day delivery*	
Category	*Minimum*	*Maximum*	*Minimum*	*Maximum*
	(cruzeiros per dollar)			
1st	16·10	17·50	30·20	32·40
2nd	22·50	23·60	40·00	46·50
3rd	55·10	56·70	83·00	97·70
4th	93·10	95·10	103·10	108·10
5th	127·00	129·10	160·10	173·80

This increase in premiums has served to make products from the dollar area less competitive because, although the premiums paid for other currencies have also increased, this increase has not been as large.

Bank Credit Tight

The present system of auctioning exchange certificates has greatly increased the cost of importing. It has also placed a strain on the financial resources of commercial firms which now find that imports may cost them from 2½ to 9½ times as much as a year ago. Banks have been called upon to finance the extra cost of imports and, having reached their limit, have for many months been unable to undertake new loans. This situation has become more serious with the increase in auction rates which, in turn, has increased the need for additional bank loans.

At the same time, the authorities took financial measures in the second quarter which reduced the ability of the commercial banks to extend credit. These measures included an increase in the re-discount rate from 6 to 8 per cent, a rise in the interest rate on loans from the Special Bank Loans Department from 4½ to 9 per cent, and the sale of Treasury Notes with advance payment of interest in dollars (2,700 million cruzeiros worth had been sold by July 31st). However, the greatest check on credit has been the drain of cruzeiros from the commercial banks to the Bank of Brazil, resulting from the payment of the exchange premiums. Up to the end of June, approximately 13 billion cruzeiros had been siphoned off. These are to be returned in the form of assistance to agriculture but so far no distribution has been made. In view of the difficulty in securing financing, many firms have had to restrict their business.

91437—3

While available statistics do not permit a complete analysis, it is estimated that farming and stock raising showed an appreciable improvement during the first half of the year. This was particularly evident in the production and supply of cereals and food products and in the prices of the main export products.

Rainfall up to the end of April favoured grazing land, as well as crops such as sugar cane, beans, potatoes, etc. Heavy rains in May caused some losses, but as most of the crops destined for the domestic market had been harvested, these losses were not large. Crop estimates in April covering the main producing states showed expected increases of 30 per cent in rice production and 20 per cent in bean production, with an expected drop of 20 per cent in corn production.

Cotton, Cocoa and Coffee

The cotton situation is considered satisfactory. Sales have progressed favourably and the estimates for this year's crop place it at approximately 5 per cent larger than last year. Statistics covering cotton, ginned and classified in São Paulo, indicate that the harvest may be considerably larger than estimated.

The cocoa harvest is also expected to be larger than last year's, which totalled just under two million bags. First shipments have confirmed these estimates.

The 1953-54 coffee harvest came to a close on June 30th with a carry over of 3,061,000 bags, compared with 2,979,000 for the 1952-53 harvest. The 1954-55 harvest is estimated at approximately 13,500,000 bags, which means that the coffee available for export during 1954-55 will be about 16,561,000 bags, in contrast with 17,779,000 bags last year.

Trouble was experienced in marketing the current crop during the first six weeks of the present coffee year (July 1st to August 14th) because Brazilian coffee, supported at 87 cents a pound by the Brazilian Government, was above the Colombian price, which is normally higher. With adequate stocks on hand, American buyers were not disposed to purchase the Brazilian coffee and only limited sales were realized. The situation was resolved satisfactorily on August 14th with the passage of Instruction 99 which fixed the minimum price at Cr.$20.30 per lb.—i.e., the minimum price is now fixed in terms of cruzeiros rather than dollars. At the same time, the new regulation stipulated that, while exporters would continue to receive payment for 80 per cent of their exports at the official rate of Cr.$18.36 per dollar, plus bonuses of Cr.$5.00 per dollar in the case of coffee and Cr.$10.00 per dollar in the case of all other products, for the remaining 20 per cent, payment would be at the official rate of Cr.$18.36 per dollar plus the difference between the official rate and the free market rate, which is currently over Cr.$60.00 per dollar. This meant that exporters could now sell at lower dollar prices without suffering a cut in their cruzeiro receipts and allowed Brazilian coffee exporters to re-enter the New York market at competitive prices.

Industrial Development Slows Up

Economic indexes for the period January-April indicate a certain falling-off in the rate of industrial development. With the exception of the cement, textile and electric power industries, which show a reasonable increase in production, and the steel industry, which remained almost unchanged, all other industrial sectors showed reduced output.

One of the principal factors contributing to this lower rate of growth was undoubtedly the increase in the minimum wage. The new wage levels were under discussion during the first four months of the year and it appears that this delayed the execution of expansion programs in a number of industries.

The new Minimum Wage Law, decreed on May 4th and effective July 4th, provided for minimum increases of 100 per cent, which will have a considerable effect on the operating conditions of most industrial enterprises. A general revision of salaries has been required in most companies in order to maintain the customary relationships between unskilled, semi-skilled and skilled workers.

Domestic Inflation

In spite of the anti-inflationary action taken by the authorities in increasing the Bank of Brazil's re-discount rate from 6 to 8 per cent and selling Treasury Notes with advance payment of interest in dollars, and the anti-inflationary effects of the Aranha Plan in draining money from the public through the exchange premiums, the inflationary trend continued. Public credit expanded enormously, with loans and discounts by the Bank of Brazil up 35 per cent in the first six months of the year. Currency in circulation increased from 47,002 million cruzeiros at the end of 1953 to 48,898 million cruzeiros in the first few days of June.

Trade with Canada

Exports to Canada in the first five months of 1954 increased to $14,393,000, 11 per cent above the corresponding period, January-May 1953. Imports from Canada also rose and at the end of June stood at $30,045,000, 17½ per cent higher than in the same period last year.

Brazil's payment record with Canada improved considerably this year with prompt payment on due date for current transactions. Considerable progress was made in reducing the backlog of collections in arrears up to May, when the sharp drop in coffee exports prevented the authorities from continuing the monthly payments which they had started last December.

With coffee moving freely once again, the situation has improved appreciably. However, dollar receipts may well be lower as a result of the lower prices received not only for coffee but for other export products. This fact may prevent the authorities from increasing the amount of dollars offered at auction. Under the circumstances, it would not appear that Canadian exporters can look forward to any improvement in trading conditions during the rest of the year. At present, Canadian merchandise is at a disadvantage, vis-à-vis merchandise from other currency areas, because of the proportionately higher premiums for dollars and, barring an unexpected change, this situation seems likely to continue.

A change in the Brazilian Government on August 24th resulted in Augenio Gudin replacing Oswaldo Aranha as Minister of Finance. Although he may introduce minor changes, Finance Minister Gudin has indicated that the Aranha Plan will be continued. On assuming office, Gudin stated that the general aim of his financial policy would be to stabilize the purchasing power of the cruzeiro and to halt inflation through limiting the expansion of credit and cutting down public spending. In so far as he is successful in these objectives, the internal situation of Brazil will improve. It would seem unlikely, however, that he will be able to effect any appreciable improvement in the few months remaining this year.

CHILE

With expenditures exceeding earnings, the Government of Chile finds itself beset with serious problems. Copper and nitrate sales are lagging and lack of foreign exchange has brought drastic restrictions on dollar imports, which have affected Chilean purchases from Canada.

R. E. GRAVEL, *Commercial Secretary, Santiago.*

ONE OF CHILE'S MAIN PROBLEMS at the moment is the fact that her domestic and foreign expenditures exceed her earning power. Many attempts have been made to overcome this difficulty, especially by using credit, but without success. In an interview on the Chilean economic situation which the President of the Republic gave to a correspondent of one of New York's leading newspapers, he said that, at the present time, the country was in the throes of a crisis brought about by a number of circumstances. Two important factors influencing the current inflation were the rapid increase in population and insufficient production.

Deficits Present Problem

Notwithstanding new measures introduced to strengthen her economy, Chile, as in the past few years, has had to face large deficits in both her National and Foreign Exchange Budgets. A new law recently passed by the Lower and Upper Chambers approved increased taxation under numerous headings. The Minister of Finance has declared that the Government's deficit for the current year will amount to approximately Ch.$20,000 million which, added to the deficit brought forward from previous years, gives a total of Ch.$39,000 million to be put up by Treasury, if solvency is to be achieved. This new taxation is expected to yield—according to the Minister's announcement—an additional Ch.$9,000 to 10,000 million a year, and, in the next six months, only Ch.$4,250 million. Further amendments are under study in order to obtain at least an additional Ch.$15,000 to 16,000 million a year. The Chilean Minister of Finance has released the information in the table below to the local press on the subject of anti-inflationary measures.

"Since the year 1950," said the Minister, "there has been persistent deficit expenditure which, last March, reached a total of 27,589 million pesos. I blame this, on a large scale, on evasions in the payment of taxes. The Government should have collected 16,000 million

Year	*Note Issue (in millions of Chilean pesos)*	*Annual rate of increase*	*Bank Loans (in millions of Chilean pesos)*	*Annual rate of increase*
1952 (end)	15,300	42%	38,150	Not indicated
1953 "	23,500	53%	48,300	26%
1954 (first 5 months)	26,650	13%	55,400	15%

91437—3½

pesos on account of income tax, but only 1,600 million pesos have reached Treasury. It can be safely said that the marked upward tendency in the cost of living, which has been observed in Chile for some years past, is due partly to the increased price of imported commodities which followed the official devaluation of the Chilean peso, from the rate of 60 to 110 to the U.S. dollar. Bank credit has been expanded to a considerable extent, particularly by the Chilean State Bank, whose loans increased by 10,000 million pesos from March 1953 to March 1954."

Apart from the stricter control over dealing in foreign exchange, a number of international financial controls are contemplated. Among other measures, bank loans to stockbrokers and importers are to be reduced; drawings against "uncleared" cheques will not be allowed. For the rediscounting of bank drafts it will be necessary to prove that legitimate commercial transactions have been carried out, vouched for by the corresponding invoices. Importers securing import permits will be called upon at the time of issue to make a deposit guaranteeing 100 per cent of the commercial value of the merchandise in Chilean currency and, in order to avoid speculation, they will be obliged to import the goods with a minimum of delay.

Copper and Nitrate

During the second half of 1953 and in the early part of 1954, sales abroad of copper, which is Chile's principal source of supply for foreign exchange, showed a marked downward tendency. Up to March 1954, accumulated stocks reached approximately 180 thousand tons, the greater part of which was warehoused abroad. The drop in the demand for Chilean copper during that period was serious for the country. It first appeared during the second half of 1953, when Chilean Government officials ceased conversations with the United States for the sale of accumulated stocks which had, by that time, touched approximately 100 thousand tons. The mines continued to produce without interruption, thus adding to the already large accumulated stocks, and the Chilean Government insisted upon a price in excess of the international one, but without success. At this stage, the Government decided to seek other markets and some copper has been sold to the United Kingdom, Germany and Italy. However, large shipments have also been taken by the United States.

Nitrate, Chile's second most important export, fills these lines of tanks at a mining property in Antofagasta province. Production of synthetic nitrate in other countries has cut demand for the Chilean type and depressed prices.

It must be remembered, however, that only a fraction of the dollar value of these exports eventually returns to the Chilean foreign currency reserve. To obtain her immediate requirements of foreign exchange, Chile is seeking new outlets for copper. She is also endeavouring to stimulate the production and export of her next most important product, nitrate, but Chilean nitrate appears to be more expensive than the synthetic type produced in other countries. Reductions are expected in view of the falling world market price and continually rising production costs. To remedy this, it is now proposed to reduce the concealed taxation contained in the official and artificial rates of exchange at which nitrate is being exported.

Sulphur Costs High

Sulphur is one of the important exports which Chile is seeking to expand in order to make up the copper deficit. The most important sulphur deposits are situated high up in the Andes where work is only possible at certain times of the year and where transport is difficult and expensive. These factors, combined with antiquated equipment, make it extremely difficult for the mine owners to produce profitably more than 120 thousand tons a year, at a cost between Ch.$8,300 to 9,000 per ton. These figures compare most unfavourably with the current price of sulphur produced in the United States—about Ch.$3,520 per ton. Sales are dependent upon the international situation and the price of sulphur sometimes fluctuates violently. Many fortunes have been made in sulphur in the past, especially in 1950 when the price touched the figure of US$196 per ton. Negotiations under barter schemes have recently been concluded, thus enabling producers to import on an economical basis. Shipments have been effected to Great Britain and in exchange Chile will receive station wagons. Current import restrictions provide artificially large profits which help to subsidize sulphur producers. Chile has also concluded negotia-

tions with Germany and Italy to sell important quantities of sulphur under barter schemes.

Foreign Exchange Budget

The 1954 foreign exchange revenue, after many amendments, was eventually fixed at US$384 million, compared with US$470·5 million in 1953—a decrease of US$86·5 million. There is little if any hope for improvement during the months to come. U.S. dollar and gold holdings are, at the present time, the lowest in the past three years.

The stiffest controls ever known in Chile have recently been imposed on imports from countries in the dollar area, such as Canada, in an endeavour to conserve the dwindling foreign exchange. These controls are expected to remain in force for an indefinite period, in spite of the recent agreement with the United States to purchase large quantities of copper at a price of approximately US$0·30 per pound. It is believed that many foreign exchange allotments were advanced, in anticipation of future copper sales, to cover goods which had already arrived. Drastic reductions have been made in newsprint imports; the quotas allotted represent only 33 per cent of last year's figure. In an endeavour to increase her foreign trade, Chile has entered into bilateral arrangements and commercial treaties with countries such as Germany, Spain, Denmark, Sweden, Italy, Belgium and Argentina, principally in exchange for Chilean copper and nitrate.

Beet Sugar Industry

The new factory in Los Angeles began operations last April. This undertaking was sponsored by the Chilean Development Corporation "CORFO" and is administered by the National Sugar Industry "IANSA", with German technical assistance. It is believed that German capital is interested in furthering new projects for this industry and is prepared to advance up to US$20 million—probably in the form of machinery—for the installation of a number of refining plants.

Electrification Schemes

The Chilean Development Corporation, through its affiliate, Empresa Nacional de Electricidad S.A. "ENDESA", proposes a ten-year plan to harness the hydro-electric potential of Chile to a degree sufficient to meet all demands. This will call for an additional investment of something like US$39 million, plus Ch.$9,000 million. The initial part of the electrification scheme, which originated in 1939 and was scheduled to produce a potential 400 thousand kwh., is to be completed by the end of the current year. The cost to date totals Ch.$5,528 million and US$26,137,000, the latter being advanced by the Export-Import Bank, the International Bank for Reconstruction and Development, and by private investors.

Commodity Shortages

Chile was faced with a serious problem as a result of her poor 1954 wheat crop and consequently was forced to seek outside markets to make up her deficit of approximately 500 thousand metric tons. Wheat is one of the most important items which Chile has committed herself to purchase from the Argentine annually. Under the terms of the Chilean-Argentine commercial treaty, she has agreed to buy up to a maximum of 250 thousand tons with an approximate value of $17,400,000. According to local press announcements, a short while ago Chile offered to buy surplus stocks of wheat from the United States on a local currency basis, but nothing has transpired so far.

Labour and Cost of Living

According to statistics issued by the Chilean Labour Office, there were 208 labour stoppages, involving 123,108 workers, in 1953. These represented a loss of 1,452,857 working days, and the workers' aggregate payroll was down by Ch.$181 million. Of the 208 strikes mentioned, 148 were declared illegal and were not officially recognized by the Labour Office, although details were recorded and official government bodies usually participated in the settlements. The number of unofficial strikes was less in 1953 than in 1952 but the number of "official" strikes increased. The activities most affected were mining, industry, construction and banking. Nearly all of these strikes were prompted by demands for increased pay to compensate for the steep rise in the cost of living during 1953.

Notwithstanding drastic steps taken by the Chilean Government, inflation continues at full speed. For the first seven months of 1954, the official figures show an increase of 36·8 per cent in the cost of living, while in business circles the figure is estimated at about 70 per cent.

Invites New Foreign Investments

Two new laws, No. 427 on new foreign capital investment, dated November 10, 1953, and Law No. 437 of February 2, 1954, are designed to encourage the entry of new capital into Chile.

The provisions of the two laws reveal a decided change in the attitude of the Chilean Government regarding the need for foreign capital in the development and expansion of the economy. It is certainly a step in the right direction in that it establishes, as a matter of law, the right of entry and repatriation of foreign capital and the remission abroad of the profits earned. Some foreign firms have already submitted applications which are at present being studied. ●

COLOMBIA

High world prices for coffee and good crop have ensured Colombian prosperity but inflation continues. New decree governing imports issued in February, with view to encouraging buying from other countries. Canadian sales to Colombia up compared with last year, despite stiff competition.

J. E. LANCASTER, *Assistant Commercial Secretary, Bogotá.*

THE COLOMBIAN ECONOMY is experiencing the heady wine of a business boom. Business and government optimism is reflected in the increasing demand for investment funds and in government schemes for improving airports, building highways, and expanding hydro-electric potential. In international trade, imports are up but soaring exports, based primarily on coffee sales, make possible a favourable balance of payments by a comfortable margin. Investment funds are coming in at a record rate. As a result of these factors, holdings of U.S. dollars and gold by the Central Bank have risen to new highs. The National Government's budget for 1954 is the highest in history at 1,063 million pesos (approximately Can.$425 million), compared with 768 million pesos in 1953. National income is estimated at 8,000 million pesos (about Can.$3·2 billion) compared with 2,000 million pesos in 1945.

Measures Against Inflation

Though all this spells prosperous times, the economy is experiencing dangerous inflationary pressures. The cost of living in Bogotá and other centres has climbed and they are now among the most expensive cities in Latin America. The Government has taken a number of anti-inflationary steps. The Central Bank has raised the cash reserve requirements of the commercial banks to limit credit; taxes have been levied on coffee exports and, to lower living costs and prevent speculation, import restrictions on certain foodstuffs have been relaxed. However, by March 31 basic foodstuffs were selling at prices 23 per cent above the previous year. Some levelling-off came later but food costs have risen again. It has been suggested that the exchange value of the peso in terms of the U.S. dollar might be raised to encourage imports and cut living costs. So far, the Government has not supported this thesis, claiming that it is based on the shaky foundation of a continuing favourable balance of payments and that the resulting flood of imports would hurt domestic producers.

The overall picture, however, is one of continuing prosperity and a rising curve of business activity. The Government's chief preoccupation seems to be stemming inflation and spreading purchasing power among the masses. The success of official policies on this score will be the final measure of the nation's economic progress during this period.

The Agricultural Outlook

Coffee—In spite of growing industrialization, Colombia is still an agricultural country and coffee the leading crop. The world price of coffee and the quantity available for export are the two factors spelling prosperity or depression for Colombians. During the first seven months of the year, the situation has been generally satisfactory. Prices have risen on the world market from 62 cents per pound at the end of December to 85·5 cents in July. Though the total supply from the current crop and carry-over may mean a smaller annual sale this year, higher prices should more than offset any drop in volume. Sales contracts registered in 1954 up to July 15 totalled 3,737,000 bags of 60 kilos (1 kilo=2·2 lb.) valued at US$357 million, compared with 3,760,000 bags worth US$274 million in the corresponding period last year. Sales abroad during this period amounted to 97 per cent of the value of Colombia's total exports.

Cotton—With new areas coming into production, this crop promises to play a more important role. Catering primarily to the domestic textile industry, little is exported and increased production tends to mean smaller imports. Only the long-fibred varieties of cotton are imported in quantity. Recent production figures are revealing:

1953	17,030,000	kilos
1952	10,567,000	"
1951	6,474,000	"

Raw cotton imports in 1953 amounted to 15 million kilos but larger domestic production this year is expected to cut this figure in half.

Wheat—Colombia is making strenuous efforts to increase the domestic supply of wheat. A new variety, "Menkemen", has been introduced and in quality and yield it has surpassed other varieties. In spite of this development and government policy in recent years prohibiting the import of wheat until the local crop is sold, rising demand, high-cost land which can be switched to other crops, and internal distribution difficulties all point to the fact that wheat will continue to be imported.

—*Standard Oil, N.J.*

Refined sugar flows into these 50-kilo bags in a sugar factory near Palmira. Sugar cane is grown in Colombia for the most part on large plantations of 10,000 to 20,000 acres.

Rice—Colombia exported over 9,000 metric tons of rice last year to a number of countries, including Canada, but this year up to the end of July, 16,409 tons had been brought in to meet local needs. Demands for the protection for the home industry have been voiced by the Federacion Nacional de Arroceros (National Federation of Rice Growers) but so far there has been no indication of government policy.

Cattle—Colombia, because of climate and topography, is well suited to be a great cattle-raising country. The industry was hard hit by the civil disturbances of recent times but restoration of the herds is progressing. The Government is assisting in this by extending credit to provide for the import of appropriate breeds of cattle. A National Federation of Cattlemen has just been established with a capitalization of 100 million pesos, to help put the industry on a firm footing.

Manufacturing and Public Works

Aided by an increasing flow of foreign capital and loans, and with local capital obtainable because of extended credit facilities, the Colombian manufacturing industry has been expanding. Most of the present development is in the simpler types of manufacturing, including textiles and food processing, and the making of clothes, shoes, and automobile tires. With the initial production of Colombia's first heavy industry, the US$160 million Paz de Rio steel plant, expected shortly, it is hoped that a host of ancillary industries will spring up. Plant capacity is estimated at 620 tons of iron and steel products a day. Additional products will include coal tar, benzol, light and heavy oils, and certain basic chemicals.

Other noteworthy industrial developments in the past year have included the completion of a 35,000 barrel per day oil refinery at Barrancabermeja, two new tire factories under construction, and a bottle and plate glass plant near Bogotá to open this month. Plans also have been announced for another US$40 million oil refinery to be located on the Caribbean coast near Cartagena.

Public works include the paving of about 2,500 miles of truck highway to cost an estimated 600 million pesos, the work to be spread over a number of years. Railway modernization and improvement is planned, to cost 25 million pesos initially and double that amount eventually. Hydro-electric power schemes will double the power capacity of cities such as Bogotá by 1957 (from 62,000 to 129,000 kilowatts). A United States consultant firm has been retained by the Government to study and submit a detailed country-wide scheme of power development. The building of international airports at Bogotá and Cali has been approved.

Commercial Policy

The Government has continued its policy of arranging bilateral trade agreements among its trading partners. Moreover, a number of foreign countries have been sending trade delegations to study investment and commercial prospects. In January, a Japanese trade mission arrived in Bogotá and in the same month, Colombia and Sweden signed a US$3 million compensation agreement. During part of February and March, the French Government held an exhibition in Bogotá. In April, Colombia signed a US$5¾ million two-way trade agreement with the Argentine and held trade talks with Ecuador and Chile. Officials have also discussed with India and Greece the possibilities of marketing Colombian coffee. The biggest agreements, however—those with the United Kingdom and Germany—have not yet been completed. Press reports discuss a US$60 million two-way trade agreement with West Germany, thereby indicating the scope of bilateral dealing contemplated by the Colombian authorities. An International Trade Fair, first of its kind to be held in Colombia, is slated to open on October 29, at which the Canadian Government and some Canadian industries will be represented.

During the first seven months of the year, the Government also issued many decrees which vitally affected international trade. Some of these—such as Decrees Nos. 0397 of February 11, and 1528 of May 12—relaxed import restrictions on foodstuffs. Two decrees,

one in March and the other in May, placed further restrictions on imports, including special duties and approvals required for the import of malted barley and malt and the placing of iron and steel products (to protect Paz de Rio) on the less favourable import list. (Decree 0700 laid out details of tolerances permitted on overweights in shipments, while decree 0867 (later cancelled on June 30) put forth specifications for approval of shipping documents by Colombian consuls.)

By far the most important decree affecting international trade was No. 0513 of February 19, 1954. Under this measure all imports are divided into two categories:

Group 1 includes essential items heretofore permitted entry. Dollar exchange is made available at 2·51 pesos to the dollar, plus 3 per cent stamp tax. Goods can be imported freely from all countries, subject to the payment of the customs duties which apply equally to imports from all countries.

Group 2: Those imports which were formerly either prohibited completely or permitted only from certain countries under the export exchange certificate method. All imports in this group are now permitted *only* from countries having either a favourable trade balance (e.g., Canada and the United States) or a bilateral (clearing) agreement with Colombia (e.g., Argentina, Germany and the United Kingdom). Foreign exchange is provided at the official rate of 2·51 pesos to the United States dollar upon payment of a tax of 40 per cent of the value of the imports. An alternative method of importing these goods is through the purchase of export certificates or "import rights". These certificates are obtained through the sale of certain secondary exports which Colombia wishes to encourage and are available to importers at approximately 1 peso per $1.00 U.S. This premium results, therefore, in almost the same effective cost of exchange as under the new 40 per cent tax method. In addition the normal 3 per cent stamp tax is levied on all imports.

Under this decree, the Exchange Registry Office is authorized to fix a minimum invoice value for all imports based on the normal prices abroad and the cost of producing similar goods in Colombia. The minimum values fixed by the Registry Office will be the basis for the calculation of the 40 per cent tax and the ad valorem portion of the customs duties normally applied. In actual practice, minimum values have been laid down so far for only a few imports, such as auto and truck tires, artificial silk, woollen and cotton textiles, certain knit goods and ladies' garments, and aluminum kitchenware and household utensils.

The purpose of this Decree was to encourage imports in view of the heavy foreign exchange holdings and the rising cost of living. Protection for domestic industry, however, has been maintained through high import duties. To judge by available statistics, there has been no concerted rush for imports under Group 2.

Balance of Payments and Investments

In the first seven months of the year Colombia had a favourable balance in international transactions of almost US$65 million, compared with US$14 million for the same period of 1953. A favourable trade balance and investment picture have combined to raise holdings of foreign exchange from US$190 million on January 15th to US$261 million on July 15th.

According to authoritative sources, foreign investments in the country now total US$561 million, a large percentage of which is invested in the oil industry. Important single foreign investments this year include capital for a large U.S.-owned department store in Bogotá. Capital inflow so far in 1954 has equalled the total figure for 1953. Estimates of the total inflow for 1954 are a record US$72 million, with an overall net increase of US$30 million.

Foreign Trade

Also contributing to the nation's reserves of foreign exchange was the favourable trade balance. Exports in 1954 in round figures totalled US$420 million and imports US$355 million. Imports in the seven months of 1954 have been running at an average monthly rate of US$50 million in contrast to US$40¾ million during the same period last year. The larger imports indicate the heavier demand in and increased purchasing power of the Repubic. Marginal changes resulted from the elimination of the prohibited list of imports and the introduction of the new import tariff schedule which permits entry for practically all goods—at a price.

Colombian Foreign Trade

(in thousands of U.S. dollars)

Import permits issued in:	1951	1952	1953
	383,144	416,346	477,107
Export licences issued in:	1951	1952	1953
	391,662	407,719	508,231
Coffee sales registered (60 kilo bags)	4,209	5,031	6,654
Value of coffee contracts	354,302	379,125	494,062

Heavy export sales were sparked by coffee and the high price it commanded on the world market. Coffee sales in the period amounted to US$383,858,644. Petroleum sales are also holding up and production is increasing. Average monthly output in 1954 has been 3·5 million barrels per month, of which 2·7 million have been exported. This rate is above the 1953 figures.

Canadian exports to Colombia (January to June inclusive) are running at a higher level than last year

—Canadian$8,217,000, compared with Canadian$6,617,000 and much of the gain stems from heavier wheat imports. Canada, however, is a modest supplier to this market compared with the United States, the United Kingdom, and Western Germany. A logical conclusion is that these nations offer products (e.g., machinery) not produced in Colombia, and therefore permitted List 1 entry, while many Canadian offers are in direct competition with Colombian domestic production. In addition to standard export sales, when appropriate business connections are established, Canadian firms may find new outlets in this market for machinery or material used in heavy engineering projects such as hydro-electric developments.

Principal Colombian Exports

(millions of pesos) (US$1=2·50 pesos)

	1952	1953
Coffee	949·7	1,230·7
Crude petroleum	183·7	190·7
Bananas	23·1	28·8
Rice	.....	9·0
Tobacco (leaf)	4·1	6·5
Platinum	1·8	5·4
Hides (fine cured)	2·5	3·3
Cattle	2·6	1·8

Ecuador

Import procedure simplified by introduction of new tariff schedule. Industrial development proceeding slowly and transportation facilities being improved with aid of international loans. Canada ranked fourth last year among Ecuador's suppliers; market is good, but type of imports may alter.

JOHN E. LANCASTER, *Assistant Commercial Secretary, Bogotá.*

THE ECUADOREAN ECONOMY during the first seven months of the current year has been affected by a number of factors, some of them entirely unrelated but all of which, in varying degrees, have played their part in shaping economic trends. The more important of these factors were:

- The introduction of the new tariff structure on January first which gave the Government firmer control over imports and which is, in some ways, more protective than the old one and designed to encourage the expansion of local industry.
- The dearth of rains during the appropriate season which damaged the important rice crop and, in affecting other crops as well, left a mark on this predominantly agricultural economy.
- The new optimism among businessmen over possibilities in the Republic with the advent of foreign loans to carry out public works and improve transport facilities.
- The political stability which has had gratifying results on business.
- The possibility of another unfavourable balance of international payments during the current calendar year, which has caused some foreboding and even rumours of government action to curb near-record imports. However, foreign exchange holdings, which had been falling steadily, rose from 420 million sucres* on April 30th to 444 million by June 26th.

The general picture is one of sound and even exciting growth and the confidence reflected by business and government leaders seems to be percolating through to the ordinary citizen.

Agricultural Prospects Good

No picture of the Ecuadorean economy is complete without a study of agricultural conditions, with particular emphasis on the four or five leading crops. The general picture is reassuring, with bountiful harvests and good world markets and prices. The one great exception is the rice crop, with its attendant marketing problems.

Bananas

Ecuador last year maintained its position as the world's leading banana exporter, with stems valued at US$24 million shipped overseas. Even though sigatoka and malpanama and other diseases are running unchecked in the important plantations in Esmeraldas province, forecasts are that exports will reach US$30 million this year.

* One sucre=US$0·065, official rate.

This modern-looking rice mill is owned by the Government of Ecuador. In 1948, rice was Ecuador's leading export by value but it has lost ground, partly because of marketing difficulties.

Although the peasants cannot afford to spray their trees and the Government has shown no inclination to step in, the opening-up of new growing areas by road development may enable Ecuador to maintain its output.

Coffee

There are no extensive plantations as in Colombia, but 2½ million sucres (about US$150 thousand) are being invested to introduce superior varieties in new plantations. The world price remains high and prospects appear favourable. Most of the crop is exported and as production may rise to 600 thousand quintals (one quintal=100 lb.) this year, a good foreign exchange income seems to be assured.

Cacao

The crop appears to be doing well and with world prices high and seemingly stable, production is increasing. However, from January first to the end of June only 153,512 sacks of 75 lb. each were marketed in Guayaquil, compared with 168,744 sacks during the same period last year. Nevertheless the outlook remains favourable and marketing should be up over last year.

Rice

This crop presents an unsatisfactory picture. With the absence of adequate rainfall during the growing season and with lower world prices, rice production has been seriously affected. Ecuador still retains its high-cost, backward methods of production and poor labour conditions and these unfavourable factors have been aggravated by the fall in world prices and the consequent marketing difficulties. Silos and warehousing space are being provided, however, and these storage facilities will enable more orderly marketing procedures to be adopted.

Wheat

Of direct interest to Canada is the fact that, with the help of international aid programs, a new variety of wheat, "Frontana", has been developed and introduced into the Ecuadorean highlands. Yield from this type of wheat is reported to be an average 4,000 lb. per hectare (one hectare=2·471 acres) contrasted with 2,000 lb. for the common varieties. However, Ecuador's present requirements are three times the present output. Furthermore, domestic millers demand Canadian hard wheat for mixing. These factors seem to guarantee a continuing market for Canadian wheat.

Manufacturing Makes Progress

Although Ecuador is not an industrial country by the standards of more advanced nations, it nevertheless has some modern industrial plants and government credit and import control policies seem to be designed to foster industrial growth. Modern flour mills, such as the new plant opened last year in Guayaquil, are more than equal to meeting the Republic's needs for wheat flour and a fall in flour imports has resulted. The only cement plant is located near Guayaquil. Capital expansion planned and under way will step up production to 400 thousand bags per month, or more than current requirements, and export markets may have to be found. Another plant may be built in the highlands to serve Quito's expanding needs. The Government, to assist local production, in April moved Portland cement to List II, or the less favourable list for import. A malt plant has been built in Quito and the output of 2,500 cases per month, based on locally-grown barley, now meets 20 per cent of the requirements of a large Guayaquil brewery. Expansion in output is planned and these developments will restrict Canadian exports of malt to this market.

A fertilizer plant has been established near Quito and a cellulose plant near Latacunga to produce cardboard and allied products. The Government hopes that paper products will be turned out in the future from the latter plant. Other factories, including one valued at 22 million sucres, turn out textile products, one of the country's leading manufactures, and sufficient vegetable lard to meet domestic needs. A monumental program of electric power development is being mapped out.

Transportation Projects Under Way

Improved transportation is vital to the economic well-being of this mountainous state. To develop highways, a US$43 million program has been planned over a five-year period. Of this, $13·5 million is covered by international loans and the rest will be financed by local imposts such as the gasoline tax. A US$8·5 million loan by the International Bank will promote

highway construction in Guayas province and open up rich areas for tropical crops in Guayaquil's hinterland. A further US$5 million loan from the Import-Export Bank will permit construction of a highway running from interior Quevado to the port of Manta on the coast and will open up a new banana and cacao growing area. The runways at the airports of Quito and Guayaquil will be improved and work is continuing on the Quito-San Lorenzo railway.

Commercial Policy and Trade

Ecuador's commercial policy seems to be placing a growing emphasis on bilateralism and protection for home industries. A number of trade agreements have been signed with other countries, of which the one with Spain is the latest. Protectionism is evident in the recent suggestion on the part of the Minister for Economic Affairs that restrictions may be placed on the import of textiles; in the higher tariffs on dairy products; in the prohibition of raw cotton imports until the domestic crop is disposed of, and so on.

Even Ecuador's new customs tariff schedule appears to have a protectionist theme. The general objective of the new rates is to apply high rates to goods that are considered non-essential and low rates to goods essential to the economy. The structure of the new tariff is basically single-columned as a result of the elimination of the special reduction in the rates formerly granted to certain products imported from the United States and Chile. Similar Canadian products had also benefited from these so-called "preferential rates" by virtue of the Canada-Ecuador Trade Agreement signed in 1950. The new tariff is comprised almost entirely of specific rates of duty levied on a net weight basis rather than the former mixture of ad valorem and specific rates. The new rates include the various exchange surcharges formerly imposed on imports considered useful but non-essential and on permitted luxury goods. Nearly all subsidiary import charges previously applied have also been incorporated in the new rates.

Import Regulations Revised

In order to conform to the new tariff law, the Government revised its foreign exchange laws and regulations on January 1st this year. The former A, B and C import categories were replaced by Lists 1 and 2.

List 1 (former A and B)=essential items.

List 2 (former C) =non-essential items.

All permitted imports are subject to prior licence.

Imports of goods from all countries not included in these two lists are prohibited. List 1 imports are covered by foreign exchange at the official rate of one sucre equals approximately 6·5 cents U.S. List 2 imports are under the disadvantage of having to be paid for with foreign exchange at the free rate of one sucre equals approximately 5·6 cents U.S. Since January 1954 importers have been required to make an advance payment of 50 per cent of the duties in the case of all List 1 imports (except those essential goods on the former List A) and of 70 per cent of the duties for all List 2 imports respectively. Since April, however, this requirement has been modified; the percentage of advance payment has been gradually reduced by 10 per cent per month beginning in May. This requirement should be eliminated completely, therefore, for List 1 imports by October 1954. Nevertheless, this regulation means that the extension of credit is a vital procedure for the firm wishing to export to the Ecuadorean market.

Foreign Trade Record

Ecuador's foreign trade in 1954 should approach the high levels of recent years, although imports may be down slightly from 1953's record level. Comparative figures for the last two complete years are:

(millions of U.S. dollars)

	1952	1953
Exports	78·0	74·7
Imports	56·5	72·8

The fall in exports in 1953 is attributable to the decline in rice sales and the abnormally high imports to the rush to complete imports before the end of the calendar year and the coming into force of the new tariff schedule. The overall balance of payments record in 1953 was adverse by US$6·6 million. Fixed charges on loans, payments for military equipment and the heavy rate of imports may mean another adverse balance in 1954.

Principal Trading Partners

Ecuador's leading trading partners are the United States, Germany, the United Kingdom (for imports), Japan (for exports) and Canada. In 1953 Canada was Ecuador's fourth largest supplier, shipping in goods valued at Can.$4,219,541 (Canadian figures). Ecuador exported to Canada goods valued at Can.$2,030,130 (Canadian figures) last year, consisting chiefly of bananas, coffee and cocoa. Leading Canadian exports are wheat (1,200,000 bushels in 1953), newsprint, bond and other papers, business machines and equipment, automobile tires and other manufactures. Canada might be able to export numerous other goods to the expanding Ecuadorean market, including building materials, foodstuffs, and a wide variety of manufactures needed in an under-developed economy. Possibilities for wheat flour and malt, as indicated above, are narrowing.●

91437—4½

CUBA

Business generally has been sluggish in Cuba during 1954, with sugar marketing problems the main factor. Satisfactory increases in rice, tobacco and coffee crops, plus large spending on public works, have helped to improve situation. Foreign trade characterized by shift in direction.

G. A. BROWNE, *Commercial Secretary, Havana.*

THE NOVEMBER GENERAL ELECTIONS, the smaller sugar crop, lagging world sales and a general move toward a shorter sugar position were the main business determinants in Cuba during the first three quarters of 1954. Heightened seasonal sluggishness at mid-year (caused partly by a tapering-off of private construction and the curtailed sugar production season) plus restrained importers' and wholesalers' interest, was in part offset by increased government expenditures on public works—chiefly road-building. Although official statistics indicate no important drop in money turn-over or in consumer purchasing power, the Havana newspapers in their business pages feature marked declines in retail sale of provisions, footwear and apparel, perfume, cosmetics, appliances, and automobiles.

Agricultural Advances

Agricultural production was generally well up to the previous year—apart, of course, from sugar. United States Department of Agriculture figures, which show world rice production increasing only about 12 per cent since 1951-52, reveal that Cuban rice production in the same period has jumped from 257 to 370 million pounds, or nearly 50 per cent. The rise in output of this principal Cuban cereal, now approaching one-half of domestic requirements, has a particular importance. It not only reflects progress in the program of diversification of agriculture and reduction of Cuba's overseas food bill, but also the growing market for rice planting, harvesting, and processing machinery.

The tobacco harvest in the 1953-54 season has been one of the best in recent years for quality and preliminary figures indicate an increase of approximately 10 per cent over the previous season's 77 million net pounds. Exports have been maintained from ample stocks and the value of first quarter 1954 exports was $9·2 million, or about 1·5 per cent over the same period of 1953. Although actual figures are not yet available, this comparative increase in exports has been held throughout the first six months of 1954, with particular emphasis on leaf.

The large 1953-54 Cuban coffee crop of 775,890 quintals (compared with the previous year's 587,239) together with the above-average forecast for the next year's crop, has caused growers some concern about prices. This increase of one-third, with production running 25 per cent over the average of the past ten years, has, however, stimulated interest in further development of Cuban coffee earnings in the U.S. market, through the taking-up of her rarely-filled U.S. import quota.

The cattle industry has had a reasonably good year and has made increasing use of special feeds for fattening. Government arbitration of a dispute between milk producers and condensed milk manufacturers early in the year resulted in a fall in prices for both parties, and in tariff action.

Sugar Crop Debated

The sugar crop, main source of revenue and employment, which has been undergoing a hard downward adjustment, has been the subject of prolonged and warm debate. With ample world supplies of sugar and falling prices, Cuba's problem has been to maintain prices with as little decrease in production and sales as possible. In this endeavour, as the world's largest supplier, she has necessarily had to take the initiative, even to unilateral action in withholding stocks.

New Fisheries Organization

Plans of the Fishermen's Co-operative for systematic industrialization of the Cuban fisheries have made progress and recently discovered shrimp beds along the southern coast have led to the acquiring of a fleet of new, specially-designed shrimpers equipped with refrigeration and radio-telephone. Landings are currently running at the annual rate of $750 thousand.

Mining and Petroleum

Mining highlights during 1954 included the announced expansion of the Nicaro nickel mines, involving additional capital investment of over $50 million, the important nickel plans of Freeport Sulphur, and the discovery of oil in the Jatibonico area. The somewhat limited Jatibonico flow, although it showed no gasoline or kerosene when brought in, has raised hopes for further important discoveries. By the middle of the third quarter, seven companies had arranged exploration programs.

Production of copper and chromite has held to 1953 levels, and nickel has risen slightly; manganese and iron output has fallen severely, with reduced take by U.S. steel mills; iron pyrites shipments, largely to Europe, have increased. A copper and chrome ore processing plant was inaugurated in Las Villas Province in July.

Hydro-Electric Progress

Legislation during the year approved two hydro-electric projects, one near Cienfuegos, on the south central coast, to produce 10,000 kw. at the Hanabanilla Falls and involving an investment of $14 million, and the other at Toa River.

The opening of a new 32,000 kw. thermal power station at Havana in the first quarter helped to meet the city's steadily increasing demand for domestic and industrial power, which has risen at an average of about 10 per cent a year.

Manufacturing and Construction

The rate of industrial manufacturing has been somewhat less than in 1953 and 1952. Most noteworthy has been the increase in construction of private dwellings, apartment blocks, and commercial service establishments. The issue of building permits in Havana Province alone reached a value of $37·4 million in the first seven months of 1954, compared with $27·3 million for the same period of 1953—a rate which, if continued, would project the province's 1954 building to about $70 million compared with 1953's record $51·1 million.

Transportation and Communications

Proposals for the rehabilitation and modernization of the Western Railway (Ferrocarriles Occidentales) lately acquired by the Government, were studied and purchases of new and heavier rail, track and signal equipment, rolling stock and diesel locomotives were indicated. A concurrent interest in modernization of equipment and improvement of certain existing services was shown by the purchase of 51 diesel locomotives by the other large rail system, the privately owned Consolidados, serving the eastern half of the island.

Signs of a developing market for light aircraft were apparent in their increased use in agriculture for rice seeding and crop spraying. Their employment in the production of sugar cane seems to offer great possiblities.

Maintenance and repair of the Central Highway and new road projects under the $350 million "Plan for Economic and Social Development" will continue to support the market for highway construction machinery and tools. Two recent Law Decrees provide for

—Cuban Tourist Commission

The National Capitol gardens in Havana are shown in the foreground—admirable setting for the Centro Gallego building. Havana, a city of about one million, has many beautiful parks and driveways, landscaped and well maintained.

a vehicular tunnel under Havana Harbour to connect the city's eastern and western districts, and the construction of a ship canal across the waist of Duba between Cardenas on the north coast to Cochinos on the south—approximately 80 kilometres long, 40 metres wide and 15 metres deep. A ninety-nine year concession to the builders—as yet unnominated—is provided for.

Air freight arrivals in Cuba during the first three quarters, according to estimates of the principal carriers serving Cuba, were spotty, with North American traffic somewhat down; there appeared to be a slight increase in air freight deliveries from Europe.

Foreign Trade Pattern

The table below taken from official Cuban figures, shows the standing of the leading exporters to Cuba and their percentage share of the Cuban market in the years 1952 and 1953. Import figures for 1954 are not yet available, but clearing house statements and bank collection figures indicate that Germany, Belgium and Japan have made important gains in exports to this market and the United States, Canada and the United Kingdom, percentage-wise, have lost ground slightly.

Havana, and in sales of milk powder, machinery, nonferrous metals and fabrications, chemicals, drugs, and pharmaceuticals have contributed to the smaller annual total. Increased European and Japanese competition for the Cuban market has added to Canadian exporters' problems.

Official Havana Customs collection figures, considered a rough advance indicator of the island's import trade, by April showed a fall of 10 per cent from the first four months of 1953. However, they improved by August to show a drop of only approximately a half-million dollars for the first seven months of 1954, from 1953's $30·37 million—or about 1·3 per cent.

Development Plans

In the face of the sagging sugar situation, the urgent need for alternative sources of employment and general diversification of agriculture and industry has prompted an ambitious government program of public works, the creation of new productive activities, the improvement of transportation and communications, and the building of subsidized housing, schools, and hospitals.

An autonomous government entity, the "Fund for Economic and Social Development", has been created

Imports into Cuba

(millions of U.S. dollars)

From	*Average* 1935-39	*Average* 1945-47	*Average* 1948-50	1951	1952	1953	*% Share Tot. '52*	*% Share Tot. '53*	*% Change '53 over '52*
Argentina	·3	4·0	3·1	·4	·4	·8	.....	.....	
Austria	.....	.....	·4	·2	·1	·2	.....	.....	
Belgium	1·2	2·8	12·6	9·9	10·0	8·1	1·6	1·65	+ 3
Canada	1·0	3·6	35·5	16·8	18·2	10·2	2·9	2·4	—21
Chile	·9	5·6	13·3	3·0	3·6	1·8	·6	·38	—37
France	2·6	1·9	6·5	4·5	4·0	3·5	·6	·73	+22
Germany	4·6	.....	5·6	10·8	9·6	9·1	1·5	1·88	+25
Italy	·6	1·7	7·2	4·1	3·8	3·1	·6	·63	+ 5
Japan	·9	.....	1·2	1·6	1·8	2·0	·3	·42	+40
Mexico	1·0	22·1	23·3	5·0	7·4	5·0	1·2	1·04	—13·5
Netherlands	·9	·8	3·9	3·8	6·0	5·8	·9	1·2	+33
Spain	2·6	16·1	20·2	12·6	9·6	9·5	1·5	1·95	+30
United Kingdom	4·6	13·8	23·4	19·2	15·5	10·2	2·5	2·10	—16
United States	72·9	843·3	401·0	492·2	462·0	370·1	74·5	75·7	+ 2
All countries	108·0	928·1	497·6	640·2	618·3	489·7	88·7	90·08	

The new Cuban Foreign Trade Bank, authorized at the end of December 1953, is intended to develop and maintain needed financial facilities for promotion of Cuba's foreign trade. Because exchange difficulties have limited and may further limit markets for Cuban sugar, tobacco, beverages, coffee, henequen, rayon, and mineral ores, the commencement of operations in May 1954, even on the limited initial capitalization of $3·5 million provided by the Government, has been welcomed.

Canadian trade with Cuba has declined from the relatively brisk levels of 1951 and 1952. Large decreases in wheat flour sales, as a result of the new mill in

to carry out these plans, with funds provided by the pledging of bonds to be issued by the Government up to a maximum of $350 million. This amount is to be raised over the next three to four years; it is expected that the first instalment of approximately $100 million, to initiate the plans, will be raised within the next twelve months.

A Look Ahead

"As sugar goes, so goes Cuba". The truth of this Cuban adage is not likely to be changed in the next twelve months, although it may be somewhat tempered by the diversification and development plans outlined above. ●

DOMINICAN REPUBLIC

Though both exports and imports declined in value during 1953, business conditions in the Republic have been generally favourable, with good sugar, coffee and tobacco crops bringing good returns. Cured and canned fish constitute about 40 per cent of Canadian sales to this country.

E. M. GOSSE, *Trade Commissioner, Ciudad Trujillo.*

BUSINESS CONDITIONS throughout the Dominican Republic during the first six months of 1954 have remained virtually the same as in 1953. Merchants have cut inventories and are only buying for immediate requirements. Collections from abroad are generally satisfactory but local collections continue to be slow and wholesalers have adopted a tighter credit policy.

The Government's record budget for 1954 totalled $96,822,330, of which more than $50 million has been appropriated for public works, including highways, bridges, aqueducts, irrigation canals, schools and hospitals.

The economy of the country is mainly dependent on sugar and a few other basic crops and the Government is now fostering a program of industrial development to diversify and augment the national income. As a result, a large number of manufacturing units are either operating or in the course of construction. Among the more important are the $7 million furfural plant, a cement factory with an output of 24,000 bags of cement per day, and a new sugar-grinding unit which has increased the Rio Haina plant capacity to 15,000 tons of sugar per day.

Leading Agricultural Crops

Exact figures on the 1953-54 sugar production are not yet available, but the 16 mills in operation are expected to produce 735 thousand short tons, or somewhat more than the production for the previous crop. Sales have been satisfactory, with world market quotas filled up to September 1st, in accordance with the International Sugar Agreement. It is understood that the average price realized has been $3.30 per 100 lb. f.o.b. Ciudad Trujillo.

Estimated molasses production from the present sugar crop is 40,000 U.S. gallons. Current prices are eight to ten cents per gallon and it is expected that most sales will be concluded on the average price paid for Cuban molasses.

It is difficult to estimate total coffee production, because no records are kept of the quantity held back for local consumption. The 1953-54 crop is believed to be about 650 thousand bags each of 100 lb. net. This is considerably larger than the 1952-53 crop and resulted from favourable weather conditions and increased planting.

Growers have benefited from better prices but higher taxes have curtailed profits. Planters have received a maximum of $50.00 per quintal (110 lb.) but prices are now $46.00 -$48.00 per quintal. Export prices have been as high as $86.00 per 100 lb. f.o.b. Dominican ports. It is estimated that there are sufficient stocks to make good all foreign contracts and supply local requirements.

Indications are that the 1954-55 crop will exceed that of the previous year. The Government is stepping up the erection of artificial dryers and providing young trees for planters, efforts are being made to improve quality, and the prevailing high prices tend toward increased production.

Estimated cocoa production for 1954 is placed at 30,000 tons, somewhat lower than the total output for 1953. The Cocoa Institute, sponsored by the Government, handles the sale of this crop and the official price at present is $30.00-$31.00 per 100 lb. delivered by growers to local warehouses.

Chief producing area for tobacco is in the north of the island, centered at Santiago de los Caballeros and known as the Cibao. The crop is of excellent quality. Harvesting has just commenced and production is expected to exceed that of 1953, when the crop amounted to 150 thousand metric tons. Prices to growers are $8.00 per 100 lb. but higher rates can be obtained for superior grades.

Other Agricultural Products

Considerable quantities of locally produced beef continue to be exported to Puerto Rico and other Caribbean islands. Shipments are usually made by air, with carcasses chilled beforehand.

The production of peanuts is being increased to meet the local demand for peanut oil, used extensively for cooking purposes. Sufficient rice is cultivated for local needs and the winter crop, which was excellent, left a considerable surplus. Unfortunately prices are apparently too high for export, production costs making it difficult to compete in foreign markets. There

are ample supplies of locally-grown fruit, corn, beans and other agricultural products to meet the needs of the Dominican people and leave a surplus for export.

Other Developments

The Government has established a Tourist Department and has allocated funds for advertising. The erection of new hotels is being encouraged and a large increase in the tourist trade is expected during the 1954-55 season.

Adequate shipping services to Europe, Canada and the United States are being maintained. There is a monthly direct steamship connection with Japan. The recent change in the Saguenay Terminal schedule between the Canadian Maritime Provinces and Ciudad Trujillo has proved most beneficial to importers, particularly those engaged in the cured fish trade.

Foreign Trade

The value of the imports and exports of the Dominican Republic in 1953 were considerably below those of the previous year, as the following tables show:

Imports into Dominican Republic

	1952	1953
Total	*RD$ 96,900,591	RD$ 86,831,729
United States	66,807,591	57,935,123
Canada	4,467,698	3,811,349
Germany	3,586,658	2,956,770
United Kingdom	3,533,499	3,991,998

Exports from Dominican Republic

Total	RD$115,366,736	RD$104,233,605
United States	51,262,145	48,015,010
United Kingdom	42,638,694	21,293,556
Canada	5,657,389	4,916,211
Germany	1,258,489	1,384,831

The decline in exports during 1953 has been counterbalanced by a reduction in imports, thus making possible a favourable balance of trade with foreign markets.

The loss of the sugar contract with the United Kingdom is mainly responsible for the 50 per cent reduction in exports to this market. On the other hand, imports from England during the year showed a slight increase in contrast with the considerable reductions experienced by other important trading countries.

In 1953 there were no abnormal purchases abroad of heavy machinery, steel rolling stock, or farm implements and this accounts for the sharp drop in total imports as compared with the previous year.

Lower sugar prices in 1953 are mainly responsible for the reduction in the value of the Republic's exports compared with those of 1952.

Trade with Canada

Over 40 per cent of the annual imports from Canada consists of cured and canned fish. Other Canadian products sold in this market included wheat flour ($648 thousand), newsprint paper ($153 thousand), macaroni and spaghetti ($150 thousand) and insulated copper wire ($147 thousand). During recent years, Dominicans have become increasingly aware of Canada as a source of supply for manufactured products, as well as for basic food lines. However, all things being equal, the average consumer will continue to purchase goods from the United States which he regards as the traditional source of supply. Even at competitive prices, most buyers will not change from familiar brands to which they are accustomed. Only hard and aggressive salesmanship with lower prices to offer, or some other incentive such as certain types of advertising, is likely to lure the average customer into purchasing new and untried goods. Canada can sell on equal terms with other countries in this market, but exporters must realize that this is primarily a price market and quality is generally of secondary importance.

Canada exchanges most-favoured-nation tariff treatment with the Dominican Republic by virtue of a trade agreement completed in 1940. The Republic has also been a party to GATT since 1949 and has negotiated several concessions directly with Canada.

Transportation

A new edition of "Canadian Foreign Trade Routes," giving more detailed information on sailings from Canadian ports, is now available from the Transportation and Trade Services Division. "Canadian Foreign Trade Routes" contains an index to foreign ports of discharge and to steamship companies and their Canadian agents, plus a table of steamship services from eastern Canadian ports and from Canadian Pacific ports, including ports of discharge, loading ports, number of sailings, space accommodation and other information.

To obtain this directory and other information on water, rail, air and road transport services to and from Canada, write to the Director of the Transportation and Trade Services Division, Department of Trade and Commerce.

* Dominican peso is at par with the U.S. dollar.

Puerto Rico

Dock strike in July slowed down business on the island but prospects are for heightened activity during remainder of year. Postwar industrial development appears to be continuing.

E. M. GOSSE, *Trade Commissioner, Ciudad Trujillo.*

DURING THE FIRST SIX MONTHS OF 1954, business conditions in Puerto Rico remained at a high level. Unfortunately the whole economy of the island was upset by the dockside strike which began on June 25th and ended by government intervention on July 29th. Because the island imports two-thirds of all commodities used, the adverse effects were soon felt in all sections. By July 16th, 185 factories were forced to curtail production for lack of raw material and 16 others had closed down completely. There was no serious shortage of foodstuffs and it was estimated that there were sufficient supplies for approximately ten days when the strike ended. It is the opinion of many traders that, provided a permanent settlement of the dispute between the longshore union and shipping management is obtained, business conditions throughout the island will probably improve during the second half of the year. This optimistic outlook is based on the fact that permits for private and government building are on the increase and there is an influx of new industries.

Puerto Rican girls at work in a pearl factory at Ponce, which turns out about a thousand dozen necklaces a day. Government is actively encouraging local industry of several types in an attempt to provide more employment locally and decrease dependence on agriculture.

Report on Agriculture

Sugar. Grinding of the current sugar crop was concluded on July 28th and the 33 mills operating produced 1,190,382 short tons. Puerto Rico's market quota is 1,180,000 tons, of which 1,080,000 is destined for the U.S. mainland and a further 100 thousand tons will be used locally. The industry plans to push mechanization and intensify research to lower costs, which are a current problem.

Pineapples. The 1953-54 crop is now estimated at 23,600 tons, which is slightly larger than that of the previous year.

Other Crops. The current production of coffee, tobacco and coconuts is likely to be above average and it is expected that planters will realize fairly satisfactory prices.

Industry and Trade

The postwar industrial development sponsored by the Government continues. In the fiscal year ending June 30th, 89 new factories were erected compared with 80 in the previous year. Textile mills predominated, and others included plants for making shoes, paints, optical products, electrical appliances, etc. The present industrialization plan has resulted in approximately 253 industries established, with an estimated increase of 20,000 workers.

Puerto Rico's imports in 1953 included $386·8 million worth from the U.S. and only $30·3 million worth from foreign countries, as against $387·3 million and $41·7 million respectively in 1952. Canada's share of the foreign imports amounted to $7·7 million in 1953 (49·3 per cent of which was fish) compared with $7·3 million in 1952 (68 per cent of which was fish). These figures are based on f.o.b. values. The reduction in overall imports is attributed to lower prices and European competition.

Although the value of Canadian fish imports decreased in 1953, imports of other commodities showed a definite rise. As a rule Canadian exporters who are successful in competing on the U.S. mainland in any commodity may consider Puerto Rico a potential market. In view of the tremendous quantity of all types of goods imported from the United States, it would seem that Canada could obtain a substantial share of this trade if her goods are competitive. A glance at Canadian exports to Puerto Rico in 1953 illustrates clearly that there is an opportunity to sell a wide variety of products. If Canadians are successful in exporting small quantities in competition with the U.S. mainland, they probably can increase this trade if they adopt strenuous measures of salesmanship in Puerto Rico.

Haiti

Poor coffee crop in 1953 cut down export earnings drastically and led to an adverse trade balance. Coffee production is up again this year and an ambitious public works program is proceeding.

E. M. GOSSE, *Trade Commissioner, Ciudad Trujillo.*

THE PROSPERITY OF HAITI mainly depends on the coffee crop, which represents more than 65 per cent of the total value of yearly exports. Production in 1954 is estimated at 67,936,000 lb. as against 30,512,000 lb. in the previous year. Prevailing f.o.b. prices are good and planters have made good profits on the current crop.

The Government is carrying out an ambitious public works program, including the irrigation of 77,000 acres in the Artibonite Valley. This will also provide additional hydro-electric power, badly needed in the Republic.

Industrial Development

Industrial development has been encouraged and a new cement plant is now in operation with an annual capacity of 60,000 tons per year. The tourist trade is increasing steadily and in 1953 some 39,700 tourists visited the country, compared with only 6,000 in 1948. Reynolds Mining Corporation has started preliminary work on a bauxite holding. A wharf is being built and a twelve-mile road to the mining site has been surveyed.

Business people in Port-au-Prince confidently expect that economic conditions throughout the Haitian Republic in 1954 will be considerably better than those in 1953, when the small coffee crop had an adverse effect on the economy.

Foreign Trade

In the fiscal year ending September 30, 1953, Haitian imports were valued at US$45,160,509. Exports were valued at US$37,799,478, leaving an adverse trade balance of US$7,361,031. In the previous year there was a favourable balance of trade of US$2,209,190. The adverse trade balance of 1953 is attributed to heavy expenditure on capital goods such as machinery, farm implements, etc., and the decreased export value of the small coffee crop.

Trade with Canada

Some 68·07 per cent of Haitian imports in the fiscal year 1953 were received from the United States. Imports from Canada only constituted 5·47 per cent, of which approximately half consisted of dry salted and canned fish.

Other products purchased from Canada during the calendar year 1953 included wheat flour ($1·04 million); evaporated milk ($154 thousand); blank books ($53 thousand) and dips, sprays and insecticides ($28 thousand).

In the same period Canada bought from Haiti about $748 thousand worth of goods, principally sisal fibre ($437 thousand), raw sugar ($178 thousand) and green coffee ($118 thousand).

As the majority of Haiti's imports originate in the United States, it would seem that Canadian exporters are in an excellent position to obtain a greater share of this market. Canada and Haiti exchange most-favoured-nation tariff treatment and since 1949 Haiti has been a party to the GATT.●

EL SALVADOR

Good coffee crop commanding good prices spells prosperity for El Salvador; cotton crop is also good. Great Rio Lempa hydro-electric power project is already going into operation.

J. C. DEPOCAS, *Trade Commissioner, Guatemala City.*

EL SALVADOR, the smallest of the Central American countries, is seldom mentioned in the world's press, yet it is rich, prosperous and progressive. Advocate of a middle-of-the-road policy, its present government exercises a firm control over national affairs and even when its views and decisions have been severely criticized, it has been able to retain the confidence of the people in its administration. It recognizes the need for improvement in the standard of living of the labouring classes and is taking action. It may be significant that the housing program for the lower classes in San Salvador is progressing and, at the same time, its fine residential district is steadily expanding.

Coffee is the country's source of wealth and successive crops have been satisfactory, with decreases registered only in years following a bumper crop. With prices rising to record levels, planters have increased their capital but the country itself has been able, through a permanent tax on all coffee exports, to reap the benefit of these high prices and this increased national revenue has found a variety of uses.

Financial Record

The sterling and dollar foreign debts had fallen to $7,300,000 as at December 3, 1953, and the internal debt to C24,000,000,* the equivalent of US$9·6 million. These figures do not include the $11·7 million loan granted by the International Bank for the construction of the Lempa hydro-electric plan, a loan fully guaranteed by a bond issue which was taken up in one day by local investors, who thus expressed their confidence in their government. The Lempa project is one of the few instances in Latin America of a public utility financed by the local government and people.

Foreign exchange reserves stood at C150 million (US$60 million) at the end of May 1954, against notes in circulation and other sight liabilities at the Banco Central of C169,655,000, a percentage of 88 per cent. These figures—C150 million and 88 per cent—are bound to move downward during the remaining months of this year until the foreign exchange deriving from the next crop starts the curve upward again.

* One colone=approx. $0.3883.

The budget for 1954 has been estimated at C150 million, the largest ever, but one which the country can afford. A much larger allocation has been given to the Ministry of Education for the building of new schools and the improvement of education. Other large allocations have gone to public works and new housing schemes. The construction of highways will be continued; El Salvador already has the most complete system of highways in Central America.

It is also the intention to build a modern port. For this purpose a group of engineers has been engaged to survey port facilities and decide on either a new port at Acajutla or improvements at either La Union or at La Libertad, whichever is the best proposition. Each of the three has its advantages: Acajutla is the terminus of the Salvador Railway Company, La Union of the International Railways of Central America, and La Libertad, 20 miles from the capital, is connected with San Salvador by highway. Salvador can finance the construction of a new port without difficulty.

Lempa Power Project

The Lempa hydro-electric power plant is the crowning work of the present administration. This project was studied several times in the past, but for various reasons remained in the blueprint stage until the present administration decided to go ahead. Designed and built by Americans, in record time according to Latin American standards, the first of three generators of 15,000 kilowatts was put in operation in June 1954. The second generator is being installed and the third has already been ordered. The steam plant of the Compania de Alumbrado Electrico de San Salvador—a Canadian-controlled company—has been closed down but is being kept in reserve for emergencies. It is, however, probable that at some future time it may have to operate continuously because the 81,000 kw. capacity of the Lempa plant may not be sufficient, in view of the large housing development in San Salvador, for any extensive industrialization program.

Export Outlook

The immediate future of El Salvador appears bright as the first estimates for the 1954-55 coffee crop are good, even excellent—at 1,650,000 quintals as against

1,302,820 for 1953-54. If these estimates prove true, this may be the record crop in the history of El Salvador and the excess in volume may be large enough to offset the effects of lower prices in world markets.

Cotton, the only other export of importance, is expected to yield an export surplus of 30,000 bales and in other sectors of agriculture progress has been such that the country, instead of importing rice, is now able to export 70,000 quintals to Honduras. There will be an export surplus of 170 thousand quintals of sugar; maize and bean crops will be sufficient to meet local requirements.

Canada's imports from El Salvador increased in 1953 to $1·38 million as against 1952's $771 thousand. Coffee takes first place by a wide margin; coffee purchases represented $1·37 million last year. Canadian sales to El Salvador in 1953 totalled $1·9 million, a slight drop compared with 1952, with wheat flour, malt and newsprint the three leading commodities.

If coffee prices in world markets remain at a fair level, El Salvador will be able to increase the import of consumer goods while maintaining a favourable trade balance, and the Government will be able to raise the living standards of the majority of the population. The present government realizes, of course, that industrial development in an essentially agricultural country can only be pushed to a certain point and that virtually all productive land is already under cultivation.

The small area of El Salvador is the main hurdle in the way of continued progress, particularly since it has the densest population in Central America. Exports of agricultural products can hardly be substantially expanded and the present favourable trade position will dwindle with the improvement of living standards and increases in domestic consumption, both in quality and quantity.

MEXICO

Canadian exports to Mexico this year compare well with the 1953 average, despite severe import restrictions and higher duties. Country still recovering from peso devaluation and problem of adverse trade balance, but improvement expected later this year. Agricultural outlook promising.

M. T. STEWART, *Commercial Counsellor, Mexico City.*

THE RECESSION IN MEXICO CONTINUES and the country has not yet recovered from the shock of the devaluation of the peso to the new rate of 12.50 to the dollar which took place on April 17th. The Government's deflationary policy, initiated some time before the devaluation, slowed up business activity and recovery has not yet set in strongly. There are, however, signs that a general improvement in the economic situation may be expected this year.

Faced with a heavy adverse trade balance, the Government found it necessary to increase controls on imports and raise the duties on so-called luxury goods to a prohibitive level. In February of this year Mexico levied a general customs surtax of 25 per cent of the duties, both specific and ad valorem, applicable to imports from all countries. Certain raw materials and essential goods have been exempted. On June 4th, four important decrees were issued raising the duties on a long list of luxury items and on consumer goods in general to 100 per cent ad valorem. These charges were described as necessary to protect national industry. In addition, many articles were placed under import control as a final safeguard against excessive imports. Actually, less than 10 per cent of the total imports are affected and even at the new rate of exchange, Mexico may continue to have an unfavourable trade balance.

Trade Position Poor

Mexico's foreign trading position, unsatisfactory even before the peso devaluation in mid-April, deteriorated further in May and June. Imports exceeded exports by 495·6 million pesos in May and by 387·5 million in June, bringing the deficit for the first six months of this year up to 1,438·4 million pesos, or approximately $114·2 million. At the end of the first six months of 1953, the deficit amounted to 783·6 million pesos and by the end of the year had grown to 1,863·5 million, or $149 million at the then rate of exchange.

The following figures published by the Secretariat of National Economy show the comparative import and export trends:

(in millions of pesos)

	Imports		Exports		Balance	
	1953	1954	1953	1954	1953	1954
January	461·4	564·5	439·4	448·8	— 22·0	— 115·7
February	421·2	505·9	413·7	432·7	— 7·5	— 73·2
March	456·7	573·3	475·4	463·1	18·7	— 110·2
April	489·2	590·6	367·9	344·4	—121·3	— 246·2
May	531·0	886·6	331·1	391·0	—199·9	— 495·6
June	543·6	803·2	292·0	415·7	—251·6	— 387·5
	2,903·1	3,924·1	2,319·5	2,495·7	—583·6	—1,428·4

The nation's current account transactions showed a loss of $27·2 million in May, bringing the excess of expenditures up to $52,697,000 in the first five months of the year. Based on imports and exports of merchandise, production of gold and silver, net tourist expenditures, remittances from Mexicans employed abroad and payments abroad on interest and dividends, the balance revealed an income of $59·3 million in May and an outgo of $86·5 million. Expenditures exceeded income by $17·8 million in May 1953. It is estimated that invisible income will show a surplus of about $100 million a year which will cover that amount in adverse visible trade balance.

Exports and Imports

Mexico is attempting to diversify its exports, particularly of consumer goods, but the number of export commodities still is limited as the following figures reveal:

Mexican Export Commodities

(millions of pesos)

	1953 (12 *mos.*)	1953 (4 *mos.*)	1954 (4 *mos.*)
Total Mexican exports	4,701·8	1,387·7	1,434·0
Raw cotton	1,119·1	367·1	281·5
Green coffee	573·4	302·3	439·7
Lead and concentrates	448·8	142·7	144·4
Copper and concentrates	349·0	110·4	99·9
Refined silver	218·2	72·8	83·1
Zinc and concentrates	172·9	78·4	47·1
Fuel oil	167·5	36·0	95·7
Fresh or refrigerated fish	156·4	18·9	23·4
Shrimp	103·1	31·8	38·5
Henequen	65·0	31·3	14·0
Fresh tomatoes	57·2	51·3	21·6
Crude oil	55·9	21·1	14·2
Forage and feed	53·6	21·0	25·7
Binder twine	46·6	14·6	26·6
Henequen products	40·4	14·0	12·4
Cotton textiles	32·1	9·9	8·3

Chiefly because of falling prices for lead, zinc, henequen and cotton, Mexico's exports declined in value by 8·3 per cent last year as compared with 1952, although they rose 12 per cent in volume.

Imports in 1953 increased by 2·6 per cent in value and by a little less than 10 per cent in volume. A breakdown of imports demonstrates that Mexico is a declining market for finished goods, and that heavy investment continues to be made in industrial machinery and equipment. Of a total of 6,560·9 million pesos spent on imports last year, purchases of investment goods accounted for 3,099·8 million pesos and industrial materials for 1,126 million pesos. Principal imports in 1953 and during the first four months of this year were:

Mexican Import Commodities

*(millions of pesos)**

	1953 (12 *mos.*)	1953 (4 *mos.*)	1954 (4 *mos.*)
Total Mexican imports	6,560·9	1,828·5	2,234·2
Machinery installations	387·8	53·2	168·4
Corn	261·0	0·6	76·9
Trucks	259·4	65·8	92·4
Metal machine parts	237·4	94·2	74·6
Passenger automobiles	224·4	66·6	86·9
Mechanical equipment	214·4	81·1	75·0
Wheat	170·3	61·9	41·0
Automobile parts	123·0	33·3	39·5
Rolling stock	114·6	36·8	1·6
Newsprint	85·4	15·0	10·2
Iron and steel tubing	79·4	32·5	25·3
Tractors	78·3	20·7	34·1
Beans	72·7	33·5	8·3
Crude rubber	72·5	18·7	21·7
Passenger buses	48·6	12·2	11·0
Wool	48·3	12·1	27·9
Cellulose	48·2	11·1	20·7
Lathes	47·9	14·5	23·6
Hog lard	35·6	3·5	11·7
Automobile chassis	28·4	7·8	4·2

* The peso was devalued by 44·5 per cent of its dollar buying power on April 17, 1954.

Trade with Canada

Mexican purchases of Canadian goods are continuing at approximately the same level as in 1953, and this appears encouraging in view of added restrictions and the generally adverse economic situation. Canadian exports to Mexico, which totalled $12,500,000 in the first six months of 1953, were worth $14,678,000 in the first seven months of this year (January, $1,721,000; February, $2,893,000; March, $1,719,000; April, $1,679,000; May, $2,271,000; June, $1,752,000; July, $2,643,000). Definitely, Mexico is becoming less and less a market for imported consumer goods and the tariff structure and import restrictions are all levelled against imports of this type. Every effort is being made to advance the industrialization of the country, possibly too rapidly and rather uneconomically in some cases, but the fact remains that this

Mahogany logs being hauled out of a tropical forest in the state of Yucatan. Timber does not appear among the leading Mexican exports but certain areas contain plentiful supplies.

cannot be considered a favourable market for consumer goods from Canada. Fortunately, the bulk of Canadian exports to Mexico are not seriously affected by the new restrictions, and much greater trade could be developed. The opportunity lies in fitting into the industrial picture here with raw materials, semi-manufactured goods and essential equipment.

Mexican exports to Canada have fallen off slightly this year, and the total for the first five months is only $8 million, as compared with $9·2 million in 1953 and $12·1 million in 1952. Shipments to Canada are made up of basic staples—principally peanuts, coffee, raw cotton, canned pineapple, fresh tomatoes and henequen.

Crop Production Improved

Perhaps the most promising feature in Mexico's economic picture is agricultural conditions, which have been very favourable during the past twelve months. The Government's policy of encouraging agricultural production has had good results, and with the generally satisfactory climatic conditions, good crops have been harvested. The greatly improved over-all food supply means that the usual heavy imports will not be necessary. Imports of foodstuffs in 1953 cost the country $103·3 million, $69·6 million of which was spent on such basic commodities as corn, beans, wheat and shell eggs. In fact, the inadequate food production last year was an important factor in the decision to devalue the peso.

Yields from the major crops this year are estimated as follows:

Wheat—about 650 thousand metric tons, only 100 thousand short of domestic requirements; from 1946 to 1952, annual imports of wheat averaged 420 thousand metric tons.

Corn and Beans—crops are so large that no imports will be necessary.

Sugar—a record 830 thousand metric tons, providing a substantial surplus for export.

Cotton—1·45 million bales, of which about 1·1 million bales are available for export.

Coffee—1·5 million bags, 90 per cent of which is available for export.

Coffee and cotton are large earners of United States dollars; coffee accounted for 25 per cent and cotton for 12 per cent of all exports in 1953 and prices are higher today.

Oil, Sulphur and Metals

In the first four months of this year, 1,133,482 metric tons of petroleum products were exported, compared with 682,306 tons in January-April 1953. The Secretariat of National Economy has published the following oil export figures:

FUEL OIL

	(thousand tons)	*(million pesos)*
1952	450·4	48·2
1953	1,930·4	167·5
1954 (4 months)	999·0	.....

CRUDE PETROLEUM

	(thousand tons)	*(million pesos)*
1952	1,794·9	217·7
1953	549·9	55·9
1954 (4 months)	134·0	.....

Shipments abroad in the January-April period of this year were valued by the Secretariat at 109·9 million pesos. However, imports of refined products are still heavy and the nationalized industry is not by any means an important net earner of dollars.

Mexico is becoming a primary source of sulphur. Production at the Mexican Gulf Sulphur Company plant in the Isthmus of Tehuantepec, which was built with the help of a loan from the Export-Import Bank, began in March at the rate of 200 tons a day and the Nacional Financiera, a government agency, expects it to reach 200 thousand tons a year.

A plant being constructed in the same area by Pan American Sulphur Company will cost $6 million and should be in operation in October. Nacional Financiera estimates that 35,000 tons of sulphur will be

available from this second plant for export before the end of the year. Both plants are using the Frasch extraction process which also will be used by Gulf Sulphur Company in the same region of the Isthmus. Gulf Sulphur expects to begin production in May 1955.

The assurance that the United States will not at the present time raise import duties on Mexican lead and zinc is welcome news to the mining industry, which earlier this year reported falling production averages and export values.

The following production and export figures for minerals were issued by the Secretariat of National Economy:

PRODUCTION

(monthly average)

	1952	1953	1954 (4 *mos.*)
Gold (troy oz.)	38,343	38,234	32,493
Silver (million troy oz.)	4·20	4·09	3·28
Copper (metric tons)	4,872	5,012	4,984
Lead (metric tons)	20,502	18,749	18,459
Zinc (metric tons)	18,948	18,240	18,724

EXPORTS

	(thousand metric tons)			*(millions of pesos)*		
	1952	1953	1954 (4 *mos.*)	1952	1953	1954 (4 *mos.*)
Copper and concentrates	77·7	85·1	26·9	355·2	349·0	99·9
Lead and concentrates	206·3	225·9	66·7	636·7	448·8	144·4
Zinc and concentrates	382·5	312·6	110·8	411·4	172·9	47·1

The Tourist Trade

The Mexican Government, through its excellent government tourist bureau, is making a strong bid for increased tourist traffic and the current summer season, which drops off sharply before the end of September, has been good. During 1953, about 32,154 visitors a month, on the average, entered Mexico. In the first five months of last year they totalled 156,064 and in January-May this year 147,850, the Secretariat of National Economy reported. The low cost of travel in dollars is heavily featured in publicity campaigns and no doubt there is some saving to the tourist, although local costs and charges have increased substantially since devaluation. From the point of view of dollar returns, Mexico would have to do about half as much tourist business again before net receipts would equal those of 1953. This tourist season, although good, certainly has not been very much ahead of last year.

Prospects for Improvement

There are indications that the Mexican economy, always noted for its vitality, is recovering and the remainder of this calendar year should show a marked improvement. The exporting season is now in full swing with a heavy movement of pineapple, coffee, raw cotton and other products, and dollars are returning to the Bank of Mexico at the rate of about a million a day.

Imports of most non-essentials are being kept to the minimum by the import restrictions and the prohibitive import duties and inventories of finished goods have been whittled down substantially. Financing imports at the new peso rate is a serious matter in itself, quite apart from the excessive duties, and some months will pass before the trade position corrects itself.

Mexico's Synthetic Fibres Industry

Mexico's synthetic fibres industry is flourishing, but the greater part of the raw materials required for the production of viscose, and of caustic soda for the rayon industry, are imported still.

In 1947, only 2·2 per cent of the country's requirements of cellulose synthetic fibres was produced in the country. Last year, 92·1 per cent of the demand was met by domestic production. Imports of synthetic fibres, which amounted to 2,439 metric tons in 1948, fell to 938 tons last year.

Production of synthetic fibres in 1953 amounted to 10,944 metric tons and apparent national consumption to 11,882 tons, according to figures issued by Nacional Financiera, a government agency. Production was higher in 1952—13,038 tons—and the reduction last year was principally the result of smaller production of acetate fibre (down 27·6 per cent) and of viscose (down 14·2 per cent). Apparent consumption declined by 25 per cent as compared with 1952, chiefly because of falling demand for rayon cloth.

Production of cord for automobile tires began in January of this year and now supplies one-third of the domestic demand. Within two years, imports of cord, which have come almost exclusively from Cuba, should be practically eliminated.

The supply position will improve in 1955, Nacional Financiera believes, when a plant for the production of cellulose from wood starts operations in the northern state of Chihuahua. Because Mexican production centres around fibres of cellulose origin, imports of 100 per cent synthetic fibres, which grew from 26·9 metric tons in 1948 to 723·2 tons last year, are likely to increase further.

PERU

Early months of 1954 saw the sol stabilized, credit tightened, and a marked improvement in the balance of trade. Foreign investment is flowing into the country and oil exploration continues. Canadian exporters to this market encountering difficulties, though these seem to be largely temporary.

H. J. HORNE, *Commercial Secretary, Lima.*

"THE ECONOMIC LIFE OF PERU is developing along decidedly favourable lines; production continues to increase, there is full employment and the improvement of the living conditions of the population is increasing. This favourable outlook has encouraged the investment of national and foreign capital. The measures adopted by the Government at the beginning of the present year have permitted the re-establishment of equilibrium in public and private finances and have eliminated the danger of inflation." This translated excerpt from the Peruvian President's message to Congress on the 28th of July summarizes Peru's current economic position.

Sol Stabilized

After a disturbing period of fluctuation in the latter months of 1953 and early months of 1954, the Peruvian sol has stabilized, with only slight variations, at rather less than 20 soles to the U.S. dollar. The average rate during June was soles 19·81 per U.S. dollar drafts. Bank credit in Peru is tight; total loans as at May 31 amounted to soles 3,525 million (December 31, 1953, S/.3,278 million) and deposits amounted to soles 3,642 million (December 31, 1953, S/.3,571 million). The demand for credit exceeds the supply, with the result that interest rates in many cases are as high as 14 per cent per annum, the maximum legal rate inclusive of commission charges. This tightening of credit coupled with the reported slackening of retail sales has meant that many firms are unable to fulfil their commitments and protested items have substantially increased, although foreign drafts covering imports are being taken up fairly promptly. In general, however, business activity is maintaining a reasonable and steady pace.

Exports Up, Imports Down

Peru's international trade continues to be satisfactory. The quantity of exports shows a constant increase, although because of prevailing lower world prices, the rate of increase in the value of these exports is slightly smaller.

The balance for the period, US$15,256,747, although still adverse, shows a remarkable improvement compared with the US$53,725,599 deficit for the equivalent period of 1953. This favourable trend indicates that last year's substantial adverse trade balance should be considerably reduced.

Exports and Imports

First seven months of 1954 and equivalent period of 1953.

Exports	1954	1953
Metric tons	2,332,750	1,184,889
Value US$	129,781,897	120,389,971
Imports		
Metric tons	466,217	550,638
Value US$	145,038,644	174,115,570

For many years the United States has been Peru's largest supplier, with the United Kingdom midway between the United States and the third supplier. In 1952 this third supplier was Canada. The 1953 foreign trade statistics by countries are not available but it is possible that Germany has taken over the number three position. This would seem even more certain for 1954 because Canada's trade has been cut by the loss of wheat sales to Peru as the result of a three-way trade agreement between Peru, Germany and Argentina. This agreement, recently signed, provides that Peru will purchase meat and wheat from Argentina, paying partly in dollars, which the Argentine in turn will use to finance a steel plant of German origin. Peru will supply the Argentine with minerals, coal and steel products from a steel mill under construction. Germany, in turn, will convert Peruvian anthracite into coke by the "Konvertal" process.

Canadian and United States manufacturers are meeting serious competition from European suppliers who are quoting, in many cases, lower prices and offering more attractive credit terms.

Canada's Trade Lowered

Canadian exports to Peru for the first six months of 1954 amounted to only $2,847,398, compared with $9,094,021 for the first three months of 1953. Nearly $5 million of this reduction stemmed from a cessation of wheat purchases from Canada in favour

See also "Peru: Production and Exports", published in August 21, 1954, issue—Editor.

View of a Peruvian marketplace shows Spanish influence in the architecture and the predominant pure Indian strain in the population, which totals slightly over ten million.

of Argentina and a ban, lifted on August 13, 1954, on the import of passenger cars accounted for the remainder. Trade in other items continued at the normal rate.

Canadian imports from Peru for the first four months of 1954 reached $1,003,953 and as usual consisted principally of ores of metals, canned fish, some green coffee and some rice.

Income for 1954

To assess Peru's economic position and its future potential properly, one must consider certain basic facts. The 1953 gross national income has been estimated at a maximum of 17 billion soles, which is less than 2,000 soles ($100) per capita or $300 per worker, whereas the average Canadian worker produced goods valued at over $4,500. Of the nine million Peruvians, 35 per cent are gainfully employed. Agriculture absorbs 50 to 60 per cent of the working force, industry 15 to 18 and mining less than 2 per cent.

As is the case in Canada, foreign commerce has a very decided effect on the Peruvian economy, because exports equal nearly one-quarter of the national income. None of these exports, which are the principal source of foreign exchange to pay for the many things Peru must import, are large enough in relation to world totals to control or even affect world prices. This dependence explains in part the Government's drive to stimulate production, particularly of foodstuffs; annual foodstuffs imports use up nearly 20 per cent of the export income.

The income from the 1954 agricultural crop year promises to be average, despite some insect and fungus damage to the cotton crop. Because agriculture, including livestock, accounts for about 40 per cent of the national income and between 50 to 60 per cent of the export income, this assures a solid base for the economy in 1954.

Mineral production, which ranks second in importance, is expected to be above average, mainly because of the more favourable exchange rate for exports, the decision curbing the proposed U.S. tariff increases on lead and zinc, and the increased exports of iron ore. Though minerals account for only 10 per cent of the national income, they provide about 35 per cent of the country's foreign exchange.

Petroleum production in the first six months of 1954 amounted to 8,573,195 barrels, an increase over the equivalent period of 1953, when the figure was 7,853,735 barrels.

Oil exploration in the Sechura desert area continues, but as yet there have been only dry holes. Optimism remains high and there has been no indication that the area might be abandoned although the negative results have focused more attention on the "Oriente" concessions on the eastern side of the Peruvian Andes, where large areas are held by a Canadian company.

Long-Term Prospects Good

Peru, a country with a varied and balanced economy and an abundance of natural resources (many of them unexploited and undeveloped) has a completely free economy without import or currency restrictions. Although various difficulties are encountered in this market from time to time, most of them are regarded as temporary. Opinion, both national and international, is that—given political, social and economic stability—progress in the long run is assured. Canadian traders are invited to consider this market and to include Peru on their next sales trip to South America. The most suitable months, climatically, for a visit are January through April.●

BOLIVIA

High production costs and low prices for minerals, and the subsequent drop in exports, have brought serious financial difficulties; Bolivia depends on mineral exports, especially tin, for foreign exchange. Projects are under way to develop other sources of revenue in addition to mining.

H. J. HORNE, *Commercial Secretary, Lima.*

THE SERIOUS FINANCIAL AND ECONOMIC SITUATION which has prevailed in Bolivia for the past two years has shown little or no improvement. This landlocked country depends on mineral exports, principally tin, for the foreign exchange that is needed to purchase basic foodstuffs, supplies for the mines, railways and essential industries, as well as the many manufactured goods indispensable to an underdeveloped economy. In 1953, mineral exports dropped to US$121·1 million from US$137·3 million in 1952. This decrease was particularly serious because the 1952 export income was considered the minimum with which the country could operate. As a result, the already low average living standard was further reduced. Temporarily, the gap has been closed by United States aid and long-term foreign credit arrangements.

Mining Industry's Problems

As long as mineral prices are low and production costs high, the privately-operated small and medium-sized mines, which produce about 20 per cent of the minerals, must curtail their operations. Their position is most difficult because they are faced with rising costs, particularly in government-decreed increases in wage and social security benefits for the miners, while, at the same time, their income from mineral sales is pegged to the official rate of US$1 equals 190 bolivianos. The free-market rate in early September was US$1 equals 1,450 bolivianos. Despite earlier predictions, production in the mines (which were nationalized in 1952) has not dropped. The overall decreases shown in the table below were in most cases the result of a reduction in the privately-owned mines which were forced to view net returns realistically. The average price of tin in 1953 was 90 cents U.S. per pound fine (1952, $1.17), whereas outside experts estimate the current cost of production between $1.25 and $1.50.

The production and value of zinc and lead in 1953 dropped considerably, but the value of wolfram increased slightly because of the attractive price fixed by the United States General Service Administration.

Petroleum production has increased, particularly during and since the last quarter of 1953. The year's production amounted to 95,522,000 litres of crude petroleum, more than enough to cover Bolivian requirements and save the country an estimated US$5 million. With production and refining capacity available, export sales in Chile, the Argentine and other nearby countries are being negotiated, limited only by minor transportation problems.

Diversification Needed

As the long-term prospects are for continued or at least periodic difficulties unless the country's almost complete dependence on tin is lessened, efforts are being made to diversify the economy. Bolivia is not nearly self-sufficient in foodstuffs despite a large, varied and potentially rich land area. This potential, which is estimated to be many times above domestic needs, is being brought into production by various projects using United States loans and counterpart funds and technical assistance and mechanization programs. The recently completed Santa Cruz-

Bolivian Mineral Exports*

	1953		1952	
Mineral	*(kilograms fine)*	*(thousands of US$)*	*(kilograms fine)*	*(thousands of US$)*
Tin	35,194,366	83,317	32,266,310	84,180
Zinc	23,971,447	5,561	35,618,679	13,155
Lead	23,077,627	6,865	29,238,500	16,667
Antimony	5,760,645	1,720	9,855,693	4,249
Copper	4,463,262	2,922	4,703,123	2,918
Sulphur	2,497,450	747	5,567,500	658
Wolfram	2,295,296	18,746	2,224,338	14,218
All others	1,842,906	1,841	1,719,071	1,225
Totals	99,102,999	121,719	121,193,214	137,270

* Source: Banco Minero de Bolivia.

Cochabamba highway and connecting access roads are already making possible the wider distribution of products grown in the fertile Santa Cruz area. Another important phase of the agricultural production plan is the bringing in of 400 Japanese immigrant farmers, the first groups of which have already arrived.

Foreign Payments

Control of foreign exchange expenditure has recently been tightened by the centralization of the authority for all such expenditure in the Ministry of Finance, operating through the Central Bank. Formerly certain government agencies, including the Banco Minero and the Corporación Minera de Bolivia, had control over the foreign exchange expenditures required in their operations.

The 1954 foreign exchange expenditures are budgeted to amount to a maximum of US$141 million, covered by the calculated income from exports of US$96 million, extra-ordinary income, $19 million, United States aid, $13 million and foreign commercial credits of $13 million. Included is provision for $25 million for commercial and industrial imports, compared with $17·7 million in 1953. This higher allocation should help to maintain production and combat inflation.

The decrease in the monetary reserves of the Banco Central is alarming. Total gold and foreign exchange holdings as at December 31, 1953, amounted to US$15·9 million (December 31, 1952, $28·6 million). Despite the worsening of the foreign exchange position, foreign commitments are being met promptly, probably because of the more accurate and up-to-date determination of the actual balances and overall budget position possible under the centralized control.

Currency in Circulation

The money in circulation increased during 1953 from 6,213 million bolivianos to 11,599 million. Combined with deposits, the total means of payment at year-end amounted to 20,557 million bolivianos, compared with 10,596 million at December 31, 1952. The difference of 9,961 million represents an increase of 93·99 per cent. Even with stringent price and rent controls, the Government has not been able to halt the severe inflationary spiral that this depreciation and other factors, including overall wage increases, have caused. The cost-of-living index for the city of La Paz increased from 3,086 in 152 to 7,784 in December 1953.

Metals Are Major Export

The reduced income from tin and metal sales automatically limited imports because the country's monetary reserves were dangerously low and not sufficient to average out the adverse balance. The influence on the Bolivian economy is clearly shown by the following table of 1953 exports:

Product	*Value (in thousands of US$)*	*Per cent*
Tin-bearing minerals	83,378	67·25
Other minerals	37,758	30·46
Agricultural products	2,845	2·29
Total	123,981	100·00

This value for export does not give the actual foreign exchange income as there are deductions for impurity discounts, freight, insurance and commission charges as well as sizable shipments in transit. The 1953 net foreign exchange income has been estimated at US$83·9 million.

All tin and most mineral exports go to the United States and the United Kingdom. Agricultural exports go principally to Argentina, Brazil, the United States and Spain, in that order.

U.S. Chief Supplier

An analysis of the import licences issued in 1953 shows a decrease from the 1952 total of US$55·4 million to US$35·7 million.

Category	*Value (in thousands of US$)*	*Per cent*
Live animals	752	2·4
Foodstuffs	11,421	31·98
Prime materials	4,874	13·65
Manufactured articles	18,648	52·22
Services*	13	0·04
Total†	35,708	100·00

* All figures are on a c.i.f. basis which accounts for the low amount under services.

† The data in the above table do not represent the total imports into the country because under the regulations then in effect, government agencies and sections of the mining industry were not required to obtain import licences. It is estimated that actual imports in 1953 amounted to US$88 million.

The following table of imports is also based on import licences issued in 1953.

Country of Origin	*Value (in thousands of US$)*	*Per cent*
United States	10,351	28·99
Peru	5,723	16·03
Argentina	3,272	9·16
Germany	3,179	8·90
United Kingdom	2,346	6·57
CANADA	1,919	5·38
Netherlands	1,544	4·32
Switzerland	1,182	3·31
Other countries	6,195	17·34
Total	35,711	100·00

The import pattern for 1954 will be modified by purchases under the commercial loans made to the Government by a British and a Belgian business group. The British loan, amounting to a maximum of £3·6 million, is guaranteed by the Central Bank and is to be used to pay for imports from the U.K. of mining and agricultural machinery, including tractors. The Belgian credit provides for a $10 million loan which

could be increased to $20 million for the purchase of merchandise of Belgian or European manufacture. Several similar proposals are being considered from other groups.

Bulk purchase contracts are periodically awarded by the Ministry of National Economy for such staples as wheat, sugar, rice, milk and fats.

Trade with Canada

Canadian exports to Bolivia for the first six months of 1954 amounted to only $277,697, compared with $2,489,262 for the equivalent period of 1953. The decrease was principally in wheat and wheat flour. The United States aid program, which provides Bolivia with food products including wheat, severely curtails, and so far this year has eliminated, this important item from our trade with Bolivia.

Bolivia's exports to Canada for the first six months of 1954 were worth $65,272, compared with $715,097 in the same period of 1953. The reduction was in ores of minerals, the principal item imported.

Until the Bolivian economy is more stable and prosperous, with foreign exchange more freely available to pay for imports, Canadian exports to Bolivia will be limited to items considered essential and not provided under tied loans or by gifts from outside sources. Exporters with commodities to offer must be prepared to quote on short notice on bulk tenders, and should consider insuring shipments with the Export Credits Insurance Corporation for the risks involved.

URUGUAY

Good market for wool has kept Uruguayan economy basically sound and curtailment of imports from dollar area in past two years has built up foreign exchange reserves. Imports from Canada slumped in 1953, though Canadian purchases from Uruguay rose by over one million dollars.

W. GIBSON-SMITH, *Commercial Secretary, Montevideo.*

WOOL ACCOUNTS FOR nearly half of Uruguay's exports in value and is overwhelmingly important in determining the tone of business conditions in this country. The 1952-53 crop, which was a very good one of 96,000 metric tons, has been finding a satisfactory market and business conditions are therefore basically sound. In contrast with previous years, the United States no longer dominated the buying, taking only 25 per cent instead of the 58 per cent of the previous year. The United Kingdom stepped into first place as a buyer of wool generally, taking over a third of the crop; the remainder went to western Europe and Japan.

In the case of wool "tops", exports have risen phenomenally in the last three or four years with the recent development of this local industry. The export position is, however, rather precarious because other important clients in addition to the United States are claiming that Uruguay by the use of multiple exchange rates is, in effect, dumping.

Nor have other export products such as meat proved very difficult to dispose of. Production of meat and by-products was down slightly in 1953 to 78,800 metric tons. The United Kingdom remained the principal client in 1953, but Russia suddenly appeared on the scene as a buyer in early 1954 for between 20,000 and 30,000 metric tons, although this did not show up to any great extent in 1953 figures.

Hides, skins and hair represented the next most important group of exports, amounting to 9 per cent of the total in 1953, for a value of more than $23 million U.S., down in volume but not value from the year previous.

As an exception to the rule, an exportable surplus of about 300 thousand tons of wheat was produced and is still being sold, chiefly to Brazil.

If there is any slackening of activity, it is in the lines of business dependent on imports. Total imports from all sources were down last year to scarcely more than half what they had been in 1951, and were 24 per cent down from 1952. This reduction has affected particularly goods from the dollar area.

Dollar Position Improves

Signs of an improvement in the Uruguayan dollar position have appeared, which is scarcely surprising in view of the draconian curtailment of imports from the dollar area in the last year or two.

During recent months Uruguay has, in effect, been enjoying credit as far as dollars are concerned. The authorities deliberately insisted that dollar exchange remittances be deferred, and sometimes about six months elapsed before an import transaction was closed. The Banco de la Republica announced a few weeks ago, however, that deferment would no longer

be necessary and five million U.S. dollars were released by the Bank to liquidate outstanding dollar indebtedness resulting from imports.

This can be interpreted as suggesting that, if the trend were to continue, the virtual prohibition of most imports of dollar area merchandise into Uruguay (except, of course, for essential raw materials not obtainable reasonably elsewhere) might be alleviated in future months. This is, however, not too certain. It seems to suit the Uruguayan Government to continue as at present, drawing most imports when possible from Europe and liquidating any dollar balances accumulated into gold. In common with many other Latin American countries, Uruguay has bilateral trade agreements with most European nations specifying commodities it is hoped to exchange, and in the granting of import licences she attempts to implement these agreements.

When imports are permitted from the dollar area, payment is usually specified in "inconvertible" currencies. For practical purposes this simply means that the importer must pay a premium which varies from 3 to 12 per cent on the exchange transaction.

Trading with Canada

Canadian exports to Uruguay in 1953 totalled $2,911,543, a drop of 57·4 per cent compared with 1951 levels (a year when there was rather more freedom of imports) but U.S. exports to Uruguay dropped even more, by 70·5 per cent. Uruguay's imports from all sources dropped by 47·7 per cent. Compared with 1952, 1953 imports from Canada were down 46 per cent and from the United States, 43 per cent.

Analyzing the decline of $2,518,000 in Canadian exports to Uruguay in 1953, compared with the year previous, the chief decreases were (in thousands of dollars):

Automobiles, trucks and parts	$1,515
Seed potatoes	670
Farm equipment and implements	455
Packages	68
Asbestos milled fibres	62
Machinery and parts, n.o.p.	43
Brass valves, bars, rods, etc.	42
Domestic electric washing machines	28
Total	$2,883

In the case of seed potatoes, the decline was due to much lower prices rather than to smaller sales. Canada still dominates the market.

Total Canadian imports from Uruguay rose by over one million dollars to $2,903,274, almost entirely because of much larger purchases of wool and wool tops. Our imports of canned beef at $537,079 were down $184,102 from the year previous. The trade balance remains in Canada's favour.

The heavy purchases of meat by the USSR mentioned above were the background, with smaller purchases of a few other products, for a new trade agreement with that country. This was signed without publicity by the Uruguayan central bank and the USSR authorities and involves an exchange of merchandise worth £8 million in both directions. This agreement threatens Canadian sales of certain goods to Uruguay. Within the global amount of £8 million mentioned in the agreement, Russia hopes to export to Uruguay newsprint paper, agricultural machinery, lumber, chemicals for industry, industrial equipment, iron and tools, and petroleum. No breakdown of the sum has been given but it is clear that Canadian manufacturers of the first two products have their market here threatened by Russia. This is particularly true because the workings of the import control board tend to encourage importers to take advantage of any quotas opened, rather than reduce their "record of performance" as importers and hence their claims on future import quotas.

Triangular Trade Permitted

In spite of the severely restrictive measures taken against imports of non-essential goods from the dollar area, some such goods have been arriving via transshipment ports in Europe, particularly Holland. So important has this type of triangular movement become that the Uruguayan Government has now decided to permit the *direct* import of merchandise from any country, including Canada, for payment for instance in florins, even though the import permit indicated Holland as a source. The consent of the intermediate country, e.g., Holland, the United Kingdom or Germany, must of course be obtained.

The present measure hopes to avoid at least paying unnecessary freight charges involved in the triangular shipment and also the high mark-ups in the intermediate country.

In general, although business conditions are fairly good in this small country and collections are also fairly good, it is virtually impossible to introduce new lines of merchandise into this market from Canada at the present time. Importers have little hope, at least in principle, of obtaining licences unless they have a past history of importing the article concerned. Importers who do have such a past record are avid to employ any import licences granted to permit them to bring in stocks of brands already established on the market.

These discouraging generalities do not rule out, however, the possibility of selling to Uruguay from time to time through intermediaries in other countries such as Holland. In that country the added expenses involved in such a transaction have averaged about 4½ per cent.

Every effort is made to encourage and protect local industry and in spite of the small domestic market—only about 2½ million people—considerable development is occurring. Just what goods are already manufactured here is not made public but a Uruguay Industries Fair to be held at the end of the year should clarify this. Criticisms have appeared that the authorities are not discriminating enough in their granting of special privileges to manufacturers. For instance, in household electrical machines, local manufacturers of many types seem to have saturated the market. The Ministry of Industries has warned that many local industries are over-expanded and not competitive as to costs with outside producers. Prices in relation to quality, compared with the imported products, are generally high.

One important result of protection of almost any kind of local industry by the use of multiple foreign exchange rates and customs privileges is a continuing strong inflation of the currency. The official cost-of-living index, which reflects only the rudimentary requirements of a labouring family, had, as of May, risen 11 per cent in a year, at a time when many countries had managed to curb the rise. This increase is attributable also to a favourable government attitude towards labour's wage demands. Continuing severe inflation has caused a great deal of money to go into new building.

It is expected that Uruguay's recent adhesion to the GATT will result, in due course, in the elimination of certain protective features of the import control system and there may be an upward revision of some tariff rates.

Paraguay

High transportation costs and heavy customs duties make imported goods expensive in Paraguay, but 1953 exports from Canada were the largest since 1948. Market there appears saturated at moment.

W. GIBSON-SMITH, *Commercial Secretary, Montevideo.*

PARAGUAY is one of the two South American countries which has no seacoast. Until the projected railway to connect Asuncion, the capital, with the Brazilian port of Santos is completed, Paraguay is dependent on Argentina's goodwill for nearly all her foreign trade. Apart from airmail shipments, it all must proceed via the Paraná River or by rail for a considerable distance through Argentine soil to the open sea. Trans-shipment is normally effected at Buenos Aires and in some cases at Montevideo. The fastest ships take about four days from Buenos Aires to Asuncion and the shifting bottom of the river presents a constant hazard to navigation. Normally the freight on merchandise for the river trip is just as costly as ocean freight from the estuary of the river to Europe or North America. Last year, however, for the first time, two regular shipping services were inaugurated connecting Asuncion direct with England and northern Europe. As yet there is no such direct connection with North America.

The reader will understand from this why laid-down costs of merchandise imported into Paraguay are very high. As yet, local manufacturing in that country has not developed very far.

Paraguay has no income tax in the ordinary sense of the word and depends to a large extent on customs revenue, which makes imported goods even more expensive than they would otherwise be. The repeated revolutions which have shaken the country culminated in the Chaco war of the 1930's against Bolivia, which left Paraguay seriously weakened. The latest political disturbance in May of the present year was not very serious and really consisted in deposing the then President. Subsequently all the constitutional safeguards were observed and the incoming President, General Stroessner, was inaugurated in August.

Foreign Capital Needed

Nevertheless, foreign capital, which Paraguay needs rather desperately, has been somewhat reluctant to enter the country and this latest change of government has done nothing to alter the situation.

Though Paraguay is, roughly, two and a half times the size of Uruguay, the country to the west of the Paraguay River (the Chaco) is still virtually uninhabited and the total population of the whole country is estimated at only some 1,200,000, about half that of Uruguay. Asuncion, the only important distributing centre, has a population of only some 200 thousand.

The population is chiefly of Indian stock with an admixture of Spanish. The early Spanish immigrants did not bring their wives with them and the lengthy

periods in the past when Paraguay was completely isolated from the rest of the world has resulted in a very homogeneous race.

When it is realized that, in spite of the considerable size of the country, there are only about 75 kilometres of paved roads and that even Asuncion has no municipal water system, the crying need for outside capital can be appreciated. Each government in turn has offered attractive inducements to foreign investors in the way of customs exemption and freedom to repatriate capital and profits but the results have been almost nil in recent years.

Anti-Inflation Measures

Successive governments have been doing their best, through a variety of measures, to stem the tide of inflation, but with little success. The central bank announced on August 9 what amounted to a devaluation of 40 per cent and brought into force a revised system of multiple exchange rates. Imports for the Government itself continue to come in at 15 guaranis to the U.S. dollar; other imports come in at rates on a rising scale, culminating in the free market rate for the dollar of about 70 guaranis.

The central bank announced at the turn of the year that it had about the equivalent of $47 million available for imports from all sources. Of this, $30 million was said to be in U.S. dollars. As of August 1954, that bank claimed to have only the equivalent of $35 million U.S. for imports. Exports have been rather disorganized and such important products as cattle and lumber often leave the country unofficially because the long borders are difficult to police.

Selling to Paraguay

In general, Paraguay cannot afford to import many luxuries, but the latter do enter in some quantity because any residents who have funds of their own abroad are permitted to sell these to the central bank and to use them for imports. Estimates of the relative importance of imports arriving in this way place them at about 15-20 per cent, compared with normal imports in quotas authorized by the Government. Thus it is not possible to state flatly that a given type of luxury merchandise will not find a market in Paraguay. If exporters in Canada or elsewhere can locate a Paraguayan resident who has the necessary dollars and who is willing to spend them on the merchandise in question, under present conditions the import would normally be permitted. Parcel post shipments valued at less than $132 have also been entering with a minimum of difficulty.

Canadian exports to Paraguay have fluctuated with the fortunes of the latter and with political developments. A most-favoured-nation trade agreement exists. Exports from Canada to Paraguay in 1953 trebled from the previous year and reached a third of a million dollars, the highest level since 1948. Chiefly responsible for this increase were agricultural equipment and machinery, unspecified machinery and parts, and power refrigerators. For her part, Canada imported quebracho extract, canned meat and a little essential oil, but the balance was favourable to Canada. It is unlikely that, under present conditions, imports into Canada can be greatly increased.

At the time of writing this report, the outlook for exports to Paraguay is not bright. The customs warehouses were recently overflowing with merchandise and, in order to permit these goods to be released, the Government gave credit to importers to enable them to withdraw the merchandise. As a result the shops are over-stocked and importers who usually pay exorbitant interest rates to get their merchandise out are now finding, in general, that the market for the goods which they have released is saturated, because their competitors have done the same thing.

Looking Ahead

Until the new government has been in power for some months, it is scarcely possible to predict the economic policies which will be followed. It seems probable that the closer trade relations with Argentina which began some months ago with the signing of a commercial agreement and which culminated in the visit of the President of Argentina to Asuncion in mid-August will continue to be strengthened. Economically at least, this will probably work to the advantage of Paraguay, because much of her heavy produce for export can find a suitable market only in Argentina.

Data for Exporters

The International Trade Relations Branch of the Department of Trade and Commerce has prepared bulletins covering shipping documents and customs regulations of the following countries: Austria, Belgium, Belgian Congo, Bolivia, Brazil, Chile, Colombia, Cuba, Denmark, Dominican Republic, Egypt, Finland, France, Western Germany, Greece, Guatemala, Haiti, Iceland, Indonesia, Israel, Italy, Mexico, Netherlands, Netherlands Antilles, Nicaragua, Norway, Panama, Peru, Surinam (Netherlands Guiana), Sweden, Switzerland and Venezuela.

If you wish copies, write to the Branch. Data on other countries will be compiled from time to time and will be added to this list.

VENEZUELA

Petroleum production continues high and increased government revenues mean money to spend on public works projects. Iron ore shipments are rising; local industries are being encouraged. Canadian exports reached new high during 1953; bid fair to maintain that level in 1954.

F. B. CLARK, *Acting Commercial Secretary, Caracas.*

PROSPEROUS is the most suitable term to describe the Venezuelan economy in 1954, although visitors may consider this appraisal too modest when they see the extensive public works program in progress. Huge official expenditures are possible because the industrial giant and chief source of revenue, petroleum, is maintaining a 5·3 per cent increase in production this year over the high daily average of 1953. Most of the other industries and agriculture have recorded significant gains. Record sales of passenger cars and trucks and satisfactory sales of household appliances also point to favourable business conditions.

This enviable pace of commerce and industry has attracted too many would-be salesmen for the size of the market and retail merchants in particular have had to revive the art of selling to maintain previous records. Promotion schemes, advertising budgets and liberal credit terms are frequently employed to attract customers. Offers from foreign sources exceed the market requirements and local representatives must be active and efficient in order to retain or improve their previous volume of business. As a result of these competitive conditions, there were no major price rises and the cost of living remained relatively stable.

Revenue and Expenditures

The federal budget for the fiscal year beginning July 1st, 1954, estimates revenue and expenditures at $710·4 million. This compares with $705·1 million for the previous year and establishes a new high. Customarily the petroleum industry contributes 30 per cent of this amount through royalties, but considering the entire tax system, petroleum operations account for approximately 65 per cent of the fiscal revenue. The remainder is derived from custom duties, which are generally high; excise taxes on liquor, cigarettes, matches; and income tax, which remains unchanged and is low for both individuals and corporations. Revenue estimates are based on slightly lower petroleum output than at present and if there is no substantial curtailment for the rest of the fiscal year, the usual extra appropriations may be granted to certain departments.

The Ministry of Public Works will receive 31 per cent of the revenue, or $205·1 million. This will leave a substantial sum after administrative expenses for the completion of several national highways, drainage installations, and housing developments, all of which are under construction. In the President's address to Congress in April, the following projects were mentioned for commencement within the fiscal year:

Construction of docks and shipyards in Puerto Cabello.

Irrigation system to develop 110 thousand hectares of land.

Hydro-electric development of the Caroni River in eastern Venezuela.

Incorporation of another river into the water supply system for the metropolitan area of Caracas.

Establishment of a petrochemical industry.

These important projects to be realized in the near future suffice to prove that federal financing will be available to maintain the present satisfactory state of business.

Mineral Wealth

Although the Government is progressing with its program of industrial diversification, Venezuelan prosperity is still closely tied to that of the petroleum industry. In 1954 the three principal oil producers will spend over $252 million in capital expenditures for pipelines, gas injection plants, etc. This amount will increase if new oil concessions are granted. None has been issued since 1944, although several companies are anxious to obtain new leases. Reserves are estimated at 10,000 million barrels, representing 16 years' supply at the present production rate.

During the first six months of the year, average daily production totalled 1,870,700 barrels, which is 180 thousand barrels below capacity. The largest output is heavy crude with a high yield of fuel oil, a product required by industries in the eastern United States and Canada. An optimistic assessment of future sales to these important markets, therefore, seems justified despite the increasing competition from the cheaply-produced crudes of the Middle East.

Revenue from the export of iron ore is small compared with that from petroleum, but the operations conducted by subsidiary companies of the two principal American steel producers represent an important industry for eastern Venezuela. At mid-year combined shipments exceeded 400 thousand tons per month and for 1954 total exports are expected to be over six million tons. Gold and diamonds are still of minor economic importance, although production bulletins report that output for both in 1954 will be the highest recorded in the past five years. Asbestos deposits have been mined, but production is negligible. Bauxite, copper and radioactive minerals have not yet been discovered in sufficient quantities for commercial exploitation.

Industrial Development

The Government employs some effective incentives in order to promote local industry. Private investors are offered financial and technical assistance through the principal government instrument, the Development Corporation. This entity has investments in and owns several business activities. Once a manufacturer is established, the competition from low-priced imports is often reduced or eliminated by means of prohibitive tariffs or quota systems. Foreign capital is welcome to participate and many American firms have constructed branch plants in the past few years.

Heavy industry is dependent on the establishment of a primary steel industry and plans are now in the final stages for a $10 million mill on the Orinoco River in the State of Bolivar. This will be constructed in conjunction with the Government hydro-electric project in the area which will generate enough power for steel, aluminum and other basic industries. Meanwhile the machinery, metal and mechanical trades must depend on imported primary materials and are limited by the high unit costs and restricted markets. Two of the chief automotive companies in the United States have established assembly plants in Caracas.

Construction materials have been in good demand because of the tremendous public and private building program and this has attracted domestic manufacture. Good-quality paints are now produced in sufficient quantities for the market, with the exception of a few special types. Cement production averaged 90,000 tons a month during the first half of the year. Tiles, bricks and building stone are all available from local firms and imports are diminishing. Lumber and plywood are milled from domestic mahogany and white cedar, but the building trade is not an important customer compared with the furniture makers.

The manufacture of consumer goods is the favourite form of industrial investment. An exhibition was held in Maracaibo this year and an admirable array of domestic products was exhibited, considering that manufacturing is comparatively new to Venezuela. Biscuits, confections, preserves, cigarettes, soap, shoes and animal feeds were on display and most of these are made in sufficient quantities for the Venezuelan market. Powdered milk production, however, amounts to four million kilos a year, compared with annual consumption of thirty million kilos.

There is a regular annual exhibit of textiles and clothing and fine cottons, rayon, and woollen fabrics of attractive patterns were in evidence this year, together with the latest designs in wearing apparel. The industry has suffered, however, from consumer preference for imports, and further protection was imposed in July despite the existing high tariffs. Although there is no domestic run of the popular synthetic fabrics, duties were raised in this classification to assist the rayon and worsted mills. In 1953 rayon production amounted to 17 million metres and cotton to 14 million metres; together they comprised 88 per cent of all textiles produced.

Agricultural Activity

The 1954 corn and potato harvest in Venezuela was 15 per cent over the average; coffee production advanced almost 50 per cent and cacao exports by 3 per cent. The production of milk and dairy products increased and the three principal oilseed crops—sesame, cottonseed and coconuts—were in greater supply than ever before. Tobacco and cotton yields were up and although the rice crop dropped 7 per cent from 1953, it was still the second largest on record. Despite these production increases, Venezuela still spends about $70 million a year for foodstuff imports, in addition to large quantities of raw materials such as linseed oil and animal-feed ingredients. Canada is an important supplier, particularly of high-protein flour, shell eggs, seed and table potatoes, pure-bred livestock, and cereal grains.

International Trade

For the first six months of 1954, Venezuelan exports amounted to $848 million, a new high, consisting of petroleum products (98 per cent), coffee and cocoa. The United States and Canada continued to be the principal customers; exports to European countries are estimated to be at least 10 per cent lower.

The trend for Venezuelan imports is the reverse. Since 1945 the value of imports from the United States has decreased from 80·8 per cent of the total to 65·2 per cent for the first six months of 1954. During this period, the United Kingdom retained second place with an 8 per cent share. Germany has improved her position, with the volume of exports to Venezuela six times that of 1949, and with 5·8 per cent of the

market. In fact, she has replaced Canada (4·3 per cent) as the third supplier. Other countries with increased exports to Venezuela are Belgium, Italy and Switzerland; slight reductions are reported for France, the Netherlands and Denmark.

The principal products imported from European sources are steel bars, aluminum sheet, tubing, wire and machinery. The growing prevalence of these and other products from Europe in the Venezuelan market reflects the liberal credit terms and low quotations which these exporters offer. German firms in particular have been very active in trade promotion and the customer's every preference is favourably considered.

Last year Canadian exports advanced $800 thousand to a $36·4 million level, but for the first seven months of this year they were down $1·6 million. Business for the remainder of 1954 is expected at least to maintain the level of last year. The Canada-to-Venezuela trade pattern, has, however, changed. Raw material exports have improved, particularly agricultural commodities, but machinery, appliances and consumer goods exports have fallen off because of the severe competition from other foreign sources and the expansion of national industry.

A Look Ahead

The barometer for business conditions in Venezuela is primarily the state of the petroleum industry. Leaders of the principal companies are proceeding with heavy capital investment and therefore the official forecasts for continued prosperity seem justified. A steady growth in population and a rising standard of living for Venezuelans will permit the present high level of imports to continue for some years to come, and still allow for the expansion of national industries.

Exports from Canada could be stepped up if Canadian exporters could offer more competitive trading conditions, particularly more liberal credit terms.

trade commissioners on tour

FROM TIME TO TIME Canadian Trade Commissioners return to Canada to bring themselves up-to-date on conditions here and to renew their contacts with businessmen. Details of their itineraries appear under this heading, as a service to exporters and importers who wish to discuss trading problems with them.

K. F. NOBLE, Canadian Government Trade Commissioner in Johannesburg, South Africa, began his Canadian tour in St. Hyacinthe on September 7th. His itinerary is:

Brockville—Oct. 4, p.m.
Toronto—Oct. 6-15
Hamilton—Oct. 18
St. Catharines—Oct. 19, a.m.
Welland—Oct. 19, p.m.
Woodstock—Oct. 20, a.m.
Brantford—Oct. 20, p.m.—21, a.m.
Guelph—Oct. 21, p.m.
Kitchener—Oct. 22
London—Oct. 25
Windsor—Oct. 26
Sarnia—Oct. 27
Edmonton—Nov. 4-5
Calgary—Nov. 8
Victoria—Nov. 24
Vancouver—Nov. 25-30

T. G. MAJOR, Canadian Government Trade Commissioner in Dublin, Republic of Ireland and Belfast, Northern Ireland, began his Canadian tour in Ottawa on September 7th. His itinerary is:

Toronto—Oct. 1-7
Guelph—Oct. 8
Hamilton—Oct. 12
London—Oct. 13
Windsor—Oct. 14
St. Catharines—Oct. 15
Quebec—Oct. 27, p.m.—28
Montreal—Nov. 1-8

W. J. MILLYARD, Commercial Secretary in Bogotá, Colombia, began his Canadian tour in Ottawa on September 20th. His itinerary is:

Quebec City—Oct. 6-7
St. Hyacinthe—Oct. 8
Montreal—Oct. 12-22

Businessmen in the various centres may get in touch with these officers through the following organizations:

Board of Trade—Brantford, Guelph, Montreal, Woodstock.

Chamber of Commerce—Brockville, Calgary, Hamilton, Kitchener, London, Quebec, St. Catharines, St. Hyacinthe, Sarnia, Welland, Windsor.

Canadian Manufacturers Association—Edmonton, Toronto.

Department of Trade and Commerce—Vancouver (355 Burrard Street).

Department of Trade and Industry—Victoria.

trade and tariff regulations

Australia

HIDES AND LEATHER—The Minister for Commerce and Agriculture has announced the end of the Hide and Leather control scheme and the abolition of the Hide and Leather Board. The scheme was designed to permit export control of hides and leather at times when local price controls, imposed by the State governments, were fixed at levels considerably lower than prevailing export values. With wide differences between local and export prices, the scheme was necessary. Recent developments, however, have narrowed the gap between domestic and export prices to the vanishing point, making a continuation of the scheme unnecessary—Sydney, Aug. 30.

Belgium

LUXURY TAX MODIFIED—Effective September 1st, Belgium exempted from luxury tax a number of articles, including automobile parts other than tires and tubes, watches of common metals, fine brushware, umbrellas and walking sticks, hats and hat shapes, central heating apparatus, linoleum, furniture, bathtubs, domestic water heaters, and ladies' handbags other than of leather. The luxury tax amounted to 12 per cent of the duty-paid value in most instances and applied to imports as well as to goods manufactured in Belgium.

On the other hand, alcoholic beverages, liver pastes, sparkling wines, television sets and cigarette lighters are among the goods which have been made subject to luxury tax by the same measure—Brussels, Aug. 31.

British Honduras

IMPORT CONTROL—The Financial Secretary, British Honduras, advised importers on August 3 that applications for the import of goods from mail order houses in Canada and the United States would be given consideration.

The grant of licences to import such goods will be subject to the conditions that the goods must not be for resale, and that the c.i.f. value of any order must not exceed Can. or U.S. $50.00.

Greece

FORFEITURE OF ADVANCES ON ABANDONED GOODS—The Bank of Greece has announced that advance payments covering a part of the value of goods ordered by Greek importers and subsequently abandoned by them shall be forfeited in favour of the foreign suppliers. Licences for returning abandoned goods to Canada will be granted automatically by branch offices of the Bank of Greece upon a statement by the intermediary bank declaring the goods to be abandoned, the importer's permission not being necessary. Any expenses incurred in Greece in connection with re-exported merchandise will be charged to the foreign supplier.

Under present competitive conditions, most commodities have to be offered to Greek importers on terms of payment against shipping documents in cash or on a 90-day draft basis. However, it is becoming an accepted practice for many Greek importers to make advance payments varying from 10 per cent to 30 per cent, depending on the commodity. In view of the present ruling, Canadian exporters might find it useful to specify establishment of letters of credit for partial payment in advance of shipment to Greece—Athens, Aug. 24.

Italy

VARIOUS DOLLAR IMPORTS LIBERALIZED—Effective August 10, Italy freed from import licensing requirements a number of imports from dollar countries with which Italy has not concluded commodity trading agreements, including Canada. This liberalization was achieved by considerably expanding the existing list "A" of goods which may be imported on the basis of an unofficial bank certificate attesting that the importer possesses foreign exchange derived from export sales. Italian exporters may retain 50 per cent of their dollar export proceeds for dollar imports or for sale to other importers without receiving a premium.

The commodities that have been freed are largely raw materials which Italy normally imports from the dollar area. However, the liberalization means that these goods may now compete more freely on the Italian market with similar non-dollar goods. On the basis of 1953 Canadian exports to Italy, the items now freed amount to 17 per cent of the total, in addition to 6½ per cent of Canadian exports which have been on the free list even before the new measure. Wheat and coarse grains, which made up the bulk of Canadian exports to Italy in 1953, remain subject to import licensing.

The list of liberalized items contains the following goods which appear to be of interest to Canadian exporters. Items which were on the free list before the present measure are marked with an asterisk:

Synthetic rubber; planks and boards; logs of wood and wood squared with the axe; wood pulp*; ferro-alloys other than ferro-manganese, ferro-silicon or ferro-molybdenum; iron and steel in pigs, blocks or ingots; crude aluminum, copper, nickel, lead, zinc and other crude base metals including magnesium, tungsten, molybdenum, tantalium, cadmium and cobalt; scrap of base metals*.

Pig and boar bristles*; horsehair and other animal hair*; plants and parts of plants for medicine*; oil cakes*; prepared animal fodder*; asbestos, crude, fibres and powder*; solid paraffin*; iron ore, copper ore, nickel ore, cobalt ore and ores of other base metals except lead and zinc ores; slag, dross and ashes of base metals*; ores of precious metals; petroleum coke*; undressed fur skins; silicone resins (synthetic); books*; rags, scraps and waste of textiles suitable only for paper manufacture, machinery cleaning, etc.*—Rome, September 2.

Information on the status of other goods relative to the Italian dollar liberalization may be obtained from the International Trade Relations Branch of the Department.

New Zealand

DOLLAR IMPORT LICENCES—The New Zealand Department of Customs announced August 25, 1954, that licences may be granted for imports of certain textile piece goods (ex. tariff item 180-7) from Canada and the United States during 1955 to the value of licences granted for imports of these goods from dollar sources in 1954.

Ex. item 180-7 includes all textile piece goods except the following: piece goods of pure silk, raffia fibre, jute and wool; moquettes, tapestry and tickings; knitted or lock-stitched piece goods of silk, artificial silk, or cotton. Licences available under item 180-7 may also be used to import terry and jacquard towels (ex-tariff item 180-8).

Norway

CUSTOMS TARIFF REVISED—Effective July 1, various changes were made in the Norwegian customs tariff, including some reductions and some increases. The changes do not concern major Canadian exports to Norway. However, duties were reduced on various brushes mounted in aluminum, lighters other than cigar or cigarette lighters, tires and tubes for tractors, sheets and plates of offset zinc, and diamond wire drawing dies. Items on which the duty was increased include certain glues, cutlery, coffee grinders and bathtubs other than of plain cast iron—Oslo, Aug. 24.

Exporters may obtain information on individual items affected from the International Trade Relations Branch of the Department.

South Africa

REPRESENTATIONS RESPECTING THE TARIFF—It has been announced that the following representations have been received by the Board of Trade and Industries respecting increases in the South African tariff.

Representations for an increase in duty on:

1. Electric power transformers of up to 5,000 K.V.A., from free (minimum rate) and 5 per cent (intermediate rate) to 20 per cent and 25 per cent ad valorem, respectively.

2. Patent or proprietary farinaceous and cereal foods other than oatmeal, rolled oats and cornflour, from 20 per cent ad valorem (minimum rate) and 25 per cent ad valorem (intermediate rate) to 25 per cent and 30 per cent ad valorem, respectively.

3. Industrial gloves, mitts and handguards—
(*a*) if of an f.o.b. value not exceeding 7s. 6d. per pair, from 5 per cent ad valorem (intermediate rate) to 30 per cent ad valorem or 1s. per pair, whichever is the greater;
(*b*) if of an f.o.b. value exceeding 7s. 6d. per pair, from 5 per cent ad valorem (intermediate rate) to 20 per cent ad valorem, or 2s. per pair, whichever is the greater.

4. Ladies' and children's trimmed hats and untrimmed hats, including straw and wool felt berets, but excluding knitted berets, from 25 per cent ad valorem to 60 per cent ad valorem or 4s. each, whichever is the greater.

5. Tipping gears including hydraulic jack cylinders, from various rates of duty to 20 per cent ad valorem.

6. Hydraulic presses, from 5 per cent ad valorem to 20 per cent ad valorem.

7. Plummer blocks, from 5 per cent ad valorem to 20 per cent ad valorem.

8. Fur felt hats and fur felt hoods, from various rates of duty to 30 per cent ad valorem.

Interested Canadian firms may wish to have their views on tariff inquiries placed before the Board of Trade and Industries. The most effective method of making representations is for Canadian firms to request their representatives in South Africa to act on their behalf before the Board.

United States

DUTY SUSPENSION ON METAL SCRAP CONTINUED—By Public Law 678 (83rd Congress), approved August 27, 1954, metal scrap continues to be exempt from import duties until June 30, 1955, with the proviso that this exemption shall not apply to *lead scrap* or *zinc scrap* (other than zinc scrap purchased under a written contract entered into before July 1, 1954).

The following nominal quotations may prove useful in checking prices. Canadian traders should consult their banks before making any firm commitments.

Conversions into Canadian dollars have been made at cross rates with sterling or the United States dollar on the date shown.

Except when buying and selling rates are specified, the mid rates only are quoted. The buying rate is that at which banks purchase exchange from exporters. The selling rate is that at which banks sell exchange to importers.

When several rates are indicated, the rate applicable depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

Rates used exclusively in non-merchandise trading are *not* included in the table.

For conversion to United States dollar equivalents multiply by 1·03159.

foreign exchange rates

Country	Unit	Type of Exchange	Canadian dollar equiv. Sept. 17	Notes (See below)
Argentina	Peso	Preferential buying	·1292	
		Basic buying	·1939	
		Preferential selling	·1939	(1)
		Basic selling	·1292	
		Free	·06978	
Austria	Schilling		·03728	
Australia	Pound		2·1730	
Belgium Luxembourg & Belgian Dependencies	Franc		·01940	
Bolivia	Boliviano	Official	·00510	
British West Indies	Dollar		·5659	(3)
	Pound		2·7163	(4)
	Dollar	Brit. Honduras	·6790	
Brazil	Cruzeiro	Official selling	·05151	tax 8%
		Official buying, coffee	·04150	(2)
		Official buying, other	·03418	(5)
		Free	·01557	
Burma	Kyat		·2036	
Ceylon	Rupee		·2037	
Chile	Peso	Official	·00881	(1)
Colombia	Peso	Basic	·3878	
Costa Rica	Colon	Official	·1726	(6)
		Controlled free	·1460	
Cuba	Peso		·9694	tax 2%
Czechoslovakia	Koruna		·1346	
Denmark	Krone		·1403	
Dominican Republic	Peso		·9694	
Ecuador	Sucre	Official	·06463	
		Free	·05603	
Egypt	Pound		2·7836	
Fiji	Pound		2·4471	
Finland	Markka		·00421	
France	Franc		·00277	(7)
French Africa	Franc		·00554	(8)
French Pacific	Franc		·01524	(9)
Germany	D Mark		·2308	
Greece	Drachma		·03231	
Guatemala	Quetzal		·9694	
Haiti	Gourde		·1936	
Honduras	Lempira		·4847	
Hong Kong	Dollar	Free	·1671	*Sept. 3
Iceland	Krona	Official	·05952	
		Special buying	·04583	
		Special selling	·037693	
India	Rupee		·2037	
Indonesia	Rupiah	Basic	·08503	(10)
Iran	Rial	Certificate	·01164	
Iraq	Dinar		2·7143	

* Latest available quotation date.

Country	Unit	Type of Exchange	Canadian dollar equiv. Sept. 17	Notes (See below)
Ireland	Pound		2·7163	
Israel	Pound	Official	·9694	
		Premium	·5385	
Italy	Lira		·00156	
Japan	Yen		·00269	
Lebanon	Pound	Free	·3020	
Mexico	Peso		·07755	
Netherlands	Guilder		·2560	
Netherlands Antilles	Guilder		·5140	
New Zealand	Pound		2·7163	
Nicaragua	Cordoba	Effective buying	·1469	(11)
		Official selling	·1375	
		With Surcharge I	·1204	
		With Surcharge II	·09646	
Norway	Krone		·1357	
Pakistan	Rupee		·2930	
Panama	Balboa		·9694	
Paraguay	Guarani	Basic	·04616	(1)
		With Surcharge I	·03590	
		With Surcharge II	·02693	(12)
Peru	Sol	Certificate	·05010	
Philippines	Peso		·4847	tax 17% (2)
Portugal	Escudo		·03383	(13)
El Salvador	Colon		·3878	
Singapore & Malaya	Straits dollar		·3169	
South Africa (Union of)	Pound		2·7163	
Spain & Dependencies	Peseta	Basic buying	·04426	
		Basic selling	·08640	
		Basic commercial selling	·05902	(1)
		Free	·02489	
Sweden	Krona		·1874	
Switzerland	Franc		·2261	
Syria	Pound	Free	·2712	*Aug. 16
Thailand	Baht	Official	·07755	(1)
		Free	·04576	*July 30
Turkey	Lira		·3462	
United Kingdom	Pound		2·7163	
United States	Dollar		·9694	
Uruguay	Peso	Official	·6382	
		Basic buying	·5446	
		Special buying	·4125	(1)
		Basic selling	·5102	
		Special selling	·3957	
Venezuela	Bolivar		·2894	(14)
Yugoslavia	Dinar		·00323	

* Latest available quotation date.

notes

1. Additional rates are in effect for specified goods.
2. Tax affects selling (import) rates only; certain essential imports exempt.
3. Barbados, Trinidad, Tobago, Leeward and Windward Is., Brit. Guiana.
4. Bahamas, Bermuda, Jamaica.
5. Brazil: Effective selling is official plus auction price of certificates. Effective buying is 80 per cent at official, 20 per cent at free.
6. Costa Rica: Official rate applies to all Costa Rican exports.
7. Metropolitan France, Algeria, Tunisia, Morocco, French Guiana, Guadeloupe, Martinique.
8. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
9. New Caledonia, New Hebrides, Oceania.
10. Indonesia: Basic rate applies to all exports and essential imports. Rupiah value for other than essential imports is reduced by 33⅓ per cent, 100 per cent or 200 per cent depending on product.
11. Nicaragua: Effective buying rate applies to all Nicaraguan exports.
12. Paraguay: Basic rate applies to most Paraguayan exports.
13. Approximately same rate for currencies of Portuguese Territories in Africa.
14. Venezuela: There are provisions for special rates for exports of petroleum, cocoa and coffee, not at present in effect for cocoa and coffee.